

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

3 Case No. 08-13555-scc

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5 In the Matter of:

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7 LEHMAN BROTHERS HOLDINGS, INC.,

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9 Debtor.

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12 United States Bankruptcy Court

13 One Bowling Green

14 New York, NY 10004

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16 November 27, 2017

17 10:06 AM

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21 B E F O R E :

22 HON SHELLEY C. CHAPMAN

23 U.S. BANKRUPTCY JUDGE

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25 ECRO: TIMOTHY

1 HEARING re RMBS Claims Estimation Trial

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25 Transcribed by: Sonya Ledanski Hyde

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1 P R O C E E D I N G S

2 THE COURT: Please have a seat everyone. I hope  
3 everyone had a nice holiday. Unfortunately, it's warm in  
4 here today. We're working on it. We're trying to get them  
5 to do whatever they do. It's unlikely to work, so we have  
6 the window open in the back. We're not going to open the  
7 middle window because then there's too much competition  
8 between the noise. But if you are warm, please take your  
9 jacket off. I know that none of you will, but you are most  
10 welcome to take your jacket off; in particular, for the  
11 witnesses if the witness is warm. I have ordered people to  
12 take their jackets off.

13 Any housekeeping matters we need to discuss before  
14 we get started?

15 MR. COSENZA: I don't believe so, Your Honor.

16 THE COURT: Okay. All right. Ready when you are  
17 then, Mr. Cosenza.

18 MR. COSENZA: I think we're ready to start with  
19 Mr. Trumpp. Miss Braswell is going to conduct the  
20 examination of Mr. Zachary Trumpp, so I'm going to hand it  
21 over to her.

22 THE COURT: Very good. Hello. Do you have  
23 binders for us?

24 MS. DOMINGUEZ-BRASWELL: I do.

25 THE COURT: Okay.

1 MS. DOMINGUEZ-BRASWELL: And I was actually going  
2 to ask you. Can I just distribute them now before we even  
3 start?

4 THE COURT: Please, yes.

5 MS. DOMINGUEZ-BRASWELL: Your Honor, may I  
6 approach?

7 THE COURT: Yes. Thank you.

8 MS. DOMINGUEZ-BRASWELL: Who else needs one?

9 THE COURT: Well, it would be lovely if each of  
10 the clerks could get one. But if you're stressed, then  
11 we'll make do.

12 MS. DOMINGUEZ-BRASWELL: Your Honor, we also have  
13 the PowerPoint deck and we have it bound, so I'd like to  
14 distribute copies of that well.

15 THE COURT: Sure. Ready when you are.

16 MS. DOMINGUEZ-BRASWELL: Your Honor, the plan  
17 administrator calls its first witness, Mr. Zachary Trumpp.

18 THE COURT: Very good. Good morning, Mr. Trumpp.  
19 Please step up. Would you raise your right hand, please?  
20 Would you please stand and raise your right hand? Do you  
21 solemnly swear or affirm that all of the testimony you are  
22 about to give before the Court shall be the truth, the whole  
23 truth, or nothing but the truth?

24 MR. TRUMPP: I do.

25 THE COURT: All right. Please take a seat, make

1 yourself comfortable. As I said, it is warm in here. If  
2 you'd like to take your jacket off to be more comfortable,  
3 you're most welcome to. Does Mr. Trumpp have water?

4 MS. DOMINGUEZ-BRASWELL: He does not. Thank you,  
5 Your Honor.

6 THE COURT: And if you need to take a break at any  
7 time, just let us know. You don't have to wait for any of  
8 the lawyers to ask. All right?

9 MR. TRUMPP: Thank you.

10 THE COURT: I like to see you putting Mr. Cosenza  
11 to work.

12 MS. DOMINGUEZ-BRASWELL: Thank you. May I  
13 proceed?

14 THE COURT: Yes.

15 DIRECT EXAMINATION OF ZACHARY D. TRUMPP

16 BY MS. DOMINGUEZ-BRASWELL:

17 Q Will you please state your name for the record?

18 A Zachary David Trumpp.

19 Q And, Mr. Trumpp, where are you employed by?

20 A Lehman Brothers Holdings, Inc.

21 Q And how long have you worked for Lehman Brothers  
22 Holdings?

23 A Since February of 2009, so almost nine years.

24 Q And what's your current position?

25 A Senior Vice President, Managing Claims.

1 Q And how long have you been in that position?

2 A Since early 2013, so almost five years.

3 Q Can you generally describe your responsibilities of the  
4 estate?

5 A Yes. I'm responsible for managing all residential  
6 mortgage-related claims. So I am responsible for reviewing  
7 and assessing all of the proofs of claims that were  
8 residential mortgage related filed against the estate, as  
9 well as the pursuit and resolution of claims against  
10 downstream sellers.

11 Q Okay.

12 MS. DOMINGUEZ-BRASWELL: Is the sound okay; can  
13 you hear okay?

14 THE COURT: I think if you keep your voice up a  
15 bit. Maybe pull the microphone a little bit more towards  
16 you, we'd be good. Okay, thank you.

17 MS. DOMINGUEZ-BRASWELL: Okay.

18 Q Let's talk a little bit about your background. Can you  
19 describe your education since high school?

20 A Yes. I have an undergraduate degree in business  
21 administration from Colorado State University, where I  
22 graduated in 1998. I have a master's degree in finance from  
23 the University of Colorado at Denver, where I graduated in  
24 2001.

25 Q And can you describe your employment since graduating

1 from college?

2 A Yeah. After graduating from undergrad, I had a brief  
3 six-month stint working for a mutual fund company called  
4 American Century Mutual Funds. I started working for Aurora  
5 Loan Services in January of 1999, and I worked there as a  
6 financial analyst until 2001. After graduating from  
7 graduate school, I went to go work as a financial analyst  
8 for an energy firm called Aquila.

9 In late 2002, I came back to Aurora Loan Services,  
10 and I worked in their secondary marketing operations.  
11 Worked there for a few years in their pricing and mini vault  
12 trading function. Then I had a role at Aurora Loan Services  
13 in their contract administration department, where I was  
14 responsible for enforcing contracts back to Aurora's  
15 correspondence and brokers.

16 In 2005, I made the switch to loss management,  
17 which was a new department that Aurora created in their  
18 master servicing group, which was responsible for enforcing  
19 contractual representations and warranties on behalf of LBHI  
20 as whole loan owner for their whole loan portfolio, as well  
21 as enforcing contractual representations and warranties on  
22 behalf of the loans that Aurora was the master servicer for.  
23 And Aurora was the master services for the majority of the  
24 privately label issued securities from Lehman Brothers  
25 Holdings, Inc.

1 In 2008, I transferred and worked for their loan  
2 administration department, which was for both their primary  
3 and master servicing operations in an operational controls  
4 function, which was responsible for oversight and risk  
5 management of the entire loan operation at Aurora Loan  
6 Services. But during that time, I retained responsibilities  
7 for certain repurchase-related matters.

8 And then shortly after Lehman Brothers bankruptcy  
9 in February of 2009, I made the transition from Aurora to  
10 Lehman Brothers Holdings, and I've been employed by Lehman  
11 Brothers Holdings ever since.

12 Q Okay. And I'd like to break that down a little bit and  
13 focus on two of the positions that you described. The first  
14 was with contract administration, and you said at contract  
15 administration, you were responsible for enforcing  
16 contracts. What kind of contracts were you enforcing?

17 A So those were the contracts that governed the purchase  
18 and sale of whole loans from correspondence to Aurora Loan  
19 Services, or broker agreements between Aurora Loan Services  
20 and their brokers.

21 Q What do you mean when you say whole loan?

22 A What I mean by that is an individually traded asset,  
23 and individual loan; not a pool of loans and not a loan in a  
24 securitization.

25 Q Okay. And when you were enforcing contracts in

1 contract administration, what types of provisions were you  
2 enforcing?

3 A So in contract administration, we were looking at early  
4 payoff provisions; we were looking at early payment default  
5 provisions; we were looking at representations and  
6 warranties in the purchase and sale agreements between the  
7 entities that sold the loans already funds to Aurora Loan  
8 Services.

9 Q When you were with contract administration, were you --  
10 did you have the opportunity to conduct loan reviews?

11 A We did, yes.

12 Q What type of loan reviews were you -- either yourself  
13 conducting or your team conducting?

14 A So in contract administration, another department at  
15 Aurora, quality control, would review loans and identify  
16 defects. Contract administration would assess those defects  
17 relative to the appropriate contracts and determine which  
18 defects rose to the level of a breach or pursuit.

19 Q And can you describe for the Court your role in that  
20 process in the review of loans and determining whether they  
21 were breaches of representations and warranties?

22 A So the way it worked at Aurora was that there was a  
23 quality control department that was responsible for  
24 identifying potential defects -- underwriting defects,  
25 issues with the documentation, those types of things. But

1 they weren't looking at those defects in relation to the  
2 underlying agreements; they were just looking at them from a  
3 pure underwriting perspective.

4 In contract administration, we took those defects  
5 and looked at them and then assessed them relative to the  
6 applicable contracts; and made determinations of whether  
7 those defects rose to the level of a breach that could be  
8 pursued back against the sellers, or whether it was just a  
9 defect that wasn't covered by a rep or maybe not material  
10 enough.

11 Q In contract administration, were you ever involved in  
12 any litigation related to the enforcement of these  
13 contracts?

14 A In contract administration, I was not.

15 Q Okay. Let's talk about loss management. Can you just  
16 generally describe what you did in loss management?

17 A Yes. So in 2005 when I made the transition to loss  
18 management, I mentioned it was the creation of a new  
19 department. It was an evolution at Aurora Loan Services and  
20 how we were looking at the enforcement of our contracts.  
21 And so, we wanted to make sure that there was a distinction  
22 between the work that Aurora was doing on behalf of its own  
23 portfolio of loans versus the portfolio of loans in LBHI's  
24 whole loan inventory or in LBHI's securitizations. And so  
25 they separated the contract administration department into

1 contract administration and loss management.

2 And what I created in loss management was -- it's  
3 a separate loan review team that reviewed loans on behalf of  
4 the loans in the securitizations that was separate and apart  
5 from Aurora's original quality control functions. And  
6 there, we had a team that did due diligence reviews, and we  
7 also had a team that assessed those loan defects identified  
8 by the loan reviewers against the appropriate agreements.

9 So in loss management, we had our own self-  
10 contained quality control due diligence loan review  
11 function, and a function to pursue representations and  
12 warranties. And so, in that function, we were pursuing  
13 repurchase demands on behalf of the securitizations. And  
14 one of the entities that we would actually pursue repurchase  
15 demands against was Lehman Brothers, and we would issue  
16 repurchase demands to Lehman Brothers on behalf of these  
17 securitizations.

18 Q Were there differences in the way that you pursued  
19 breaches of representation and warranty claims? As compared  
20 -- comparing contract administration and loss management,  
21 were there differences between the way you'd perform that  
22 function?

23 A Yes. So you had to look at the relevant agreements.  
24 And in contract administration, the relevant agreements were  
25 the agreements that governed the purchase and sale between

1 Aurora's correspondence or brokers to Aurora. In loss  
2 management, we were looking at separate agreements. We were  
3 looking at securitization agreements, which would be the  
4 MLSAAs and the trust agreements and those agreements that  
5 governed the loans in the securitizations; or we also did  
6 work on behalf of Lehman's bulk purchases agreements, which  
7 were separate and apart from Aurora's agreements.

8 So you had to always look at the defects in  
9 relation to the appropriate agreement. But also, you had to  
10 look at, were we dealing with whole loans, i.e., the Aurora  
11 side on contract administration; or were you dealing with  
12 loans and securitizations, i.e., loans in LBHI's privately  
13 issued securitizations.

14 Q And when you were in loss management, at what level  
15 were you operating? You said there were a team of  
16 reviewers. Were you part of the team reviewing the loan  
17 files; were you in an oversight role? What was your role in  
18 relation to the team?

19 A So I managed the entire loss management department, and  
20 I was responsible for a team of people that did loan  
21 reviews. I had repurchase underwriters on -- in that  
22 department. I had another team of people that were  
23 responsible for reviewing the contracts and pursuing the  
24 claims. And then I had another team of people at that time  
25 who worked with outside vendors to perform due diligence

1 reviews. We had an in-house team, and we also used outside  
2 parties.

3 Q Okay. And how did you determine when you needed to  
4 keep something in-house versus when you needed to go to an  
5 outside party?

6 A It really was a management of resources of volume  
7 issue. So as we had additional loans to review that we  
8 didn't have capacity in-house, we used outside parties.

9 Q Were there ever times were a particular potential claim  
10 to you and you decided not to pursue that claim?

11 A Yes. As I mentioned earlier, you had to look at the  
12 defects in relation to the agreements. Sometimes the  
13 defects just weren't covered by a breach or rep -- or  
14 weren't covered by a representation or warranty, so you had  
15 to look at that. But then you also had to make assessments  
16 around materiality of the breach, and you had to make  
17 assessments around adverse and material effect on the value  
18 of the loan.

19 Q Now let's talk about your transition to the estate.  
20 When was that? I think you said --

21 A It was February of 2009, shortly after Lehman's  
22 bankruptcy.

23 Q And how, if at all, did your role change when you  
24 transitioned from loss management to the estate?

25 A One of the key differences, and one of the things that

1 took a little bit of a mindset change, was the idea and  
2 concept that when I was working on behalf of the plan  
3 administrator, you weren't necessarily pursuing on behalf of  
4 your employer directly and for their direct benefit. You're  
5 really looking at claims on behalf of all creditors, so  
6 that's a little bit different mindset than what I had been  
7 historically used to. And so, we were wanting to make sure  
8 that the review of claims that we were doing was fair to all  
9 creditors.

10 Q Can you give me a specific -- can you think of a  
11 specific example of how your approach to claims changed when  
12 you were at the estate?

13 A Yeah. So, I mean, when we were reviewing and assessing  
14 the proofs of claims filed against the estate, you know, we  
15 wanted to make sure that we were assessing the merits and  
16 the validity of the various claims versus seeking any and  
17 all potential defenses that we could to try and say these  
18 claims were worth nothing, and that we've tried to hold that  
19 concept through all the various claims that we resolved.

20 Q I want to go back to something you said a little bit  
21 ago. You said you sometimes decided to outsource the loan  
22 reviews. Who were you -- what do you mean by that? When  
23 you say outsourced the loan reviews, what does that mean?

24 A So there are third parties that perform loan reviews  
25 and try and identify those potential defects. There's

1 several of them in the industry. You know, we use them in  
2 our protocol review process. We used a firm by the name of Recovco;  
3 the Trustees used multiple firms. And in my loss management  
4 days from a cost management standpoint and from a volume  
5 management standpoint, we chose to use outside parties. And  
6 in particular in loss management, there were three different  
7 outside vendors that I used for due diligence reviews.

8 Q Do you recall those?

9 A Yes. One was Clayton, one was Interthinx, and the  
10 third one has gone by several different names. It was  
11 Mortgage Ramp, and then Office Tiger; and I think they've  
12 even got a third name now, and I'm not sure what they're  
13 called. But all that to say, it was not uncommon to have to  
14 use outside parties to do due diligence reviews. It just  
15 wasn't economical to have dozens of people on staff for that  
16 type of work.

17 Q And in your role hiring these vendors, and I assume  
18 overseeing these vendors, did you have an opportunity to  
19 compare and contrast the quality of the different vendors?

20 A That really was one of the key aspects of having to  
21 deal with an outside party, is you are always looking at  
22 consistency and quality. You know, I had -- essentially had  
23 four different loan review groups that I was using in loss  
24 management, my own in-house team, and then the three outside  
25 parties. And keeping all four parties looking at loans the

1 same way and providing the same consistent type of output  
2 and saying this type of a claim is always a claim or this  
3 particular type of evidence is sufficient, was a task that a  
4 constant juggle.

5 Q Let's talk about the protocol. Are you familiar with  
6 the protocol, Mr. Trumpp?

7 A Yes, very.

8 Q And when you refer to the protocol, is there a document  
9 that comes to mind for you?

10 A Yes, the protocol order.

11 Q Okay. The protocol order for your reference is plan  
12 administrator 74, Exhibit 74 in your binder? And we'll have  
13 it up on the screen as we talk about it. Who drafted the  
14 protocol?

15 A Do I get a binder?

16 Q I'm sorry?

17 A Do I get a binder?

18 Q I'm sorry. Do you not have a binder? Yes, you get a  
19 binder. Who drafted the protocol, Mr. Trumpp?

20 A It was initially drafted by the plan administrator.  
21 But, ultimately, it ended up being a collaboratively  
22 negotiated document.

23 Q What do you mean by collaboratively negotiated  
24 document?

25 A The plan administrator and the Trustees both provided

1 input and gave our opinion.

2 Q Were you involved in that process?

3 A I was.

4 Q And do you remember when the protocol was entered?

5 A In December of 2014.

6 Q I'm going to put up a screen, and it highlights the  
7 various steps. But I'd like you to walk the Court at a high  
8 level through each of those steps of the protocol, starting  
9 with step zero.

10 A So starting with step zero, which was the receipt of  
11 the loan files from the servicers. One of the first things  
12 that Trustees were responsible to do was to reach out to the  
13 master servicers and the primary servicers and gather the  
14 appropriate loan files for the review. Those loan files  
15 were made up of both origination and servicing documents.  
16 One of the things that the plan administration did is they  
17 worked with Lehman's sub, Aurora Loan Services, to gather  
18 the appropriate documentation that they had from their loan  
19 files, and provided that to the Trustees.

20 Q Okay. And when did step zero start approximately?

21 A Essentially, the minute the order was entered.

22 Q Okay. What about step one; can you describe step one?

23 A So step one was the process by which the Trustees took  
24 those servicing loan files, reviewed them, and made  
25 submissions of claims at the loan level to the plan

1 administrator.

2 Q So when it says claim submission on the screen, that's  
3 the Trustee's submission to the plan administrator.

4 A That's correct.

5 Q Okay. What's step two?

6 A Step two was the process by which the plan  
7 administrator received those claims, reviewed the  
8 information in the loan file supporting those claims, and  
9 made a determination whether or not the information in the  
10 loan file was sufficient for us to complete our review. And  
11 then assuming that the loans were complete and able to be  
12 reviewed, then we performed a review of those loans, did our  
13 own independent assessment of the claims, the evidence, the  
14 loan file, looked at additional third-party documents; and  
15 then ultimately responded back to the Trustees and said,  
16 here are the loans that we approve and pass, or here are the  
17 loans that we reject and here's our basis for rejecting  
18 those claims.

19 Q And we'll get into the details of step two in a little  
20 bit. Can you describe step three?

21 A Step three was loan level negotiations that were  
22 undergone by myself and my team and members of the Duff &  
23 Phelps team, where we literally got on the phone and talked  
24 loan by loan with representatives from the other side and  
25 discussed the merits of their claims versus our defenses to

1 those. And, ultimately, tried to seek resolution by us  
2 seeing that yes, they do have a valid claim and accepting it  
3 and passing it; or them seeing that no, they really don't  
4 have a valid claim, our defenses were sufficient, and then  
5 rescinding the claims.

6 Or if that was not possible, then ultimately the  
7 loans were moved on to step four, where -- you know, so  
8 essentially, we couldn't agree in step three one way or the  
9 other and the loans were moved to step four, which was going  
10 to be the nonbinding dispute resolution.

11 Q And before we move on to step four, approximately when  
12 did step three take place?

13 A Step three started in the early summer of 2016 when  
14 step two ended, and we had numerous conference calls and  
15 discussions about loans. We ultimately ended up talking  
16 about approximately 3000 loans by my team and their team.

17 Q And when you say talking about 3000 loans, is that loan  
18 by loan or was it in bulk; how did that occur?

19 A It was loan by loan, claim by claim.

20 Q And who -- you mentioned Duff & Phelps was involved on  
21 the other side. Who from Duff & Phelps was on the other  
22 side of that?

23 A There were several members of their team led by Alan  
24 Pfeiffer, Edmund Esses, and Charlie Campbell.

25 Q And we'll also talk about step three a little bit more

1 later. But step four; can you describe step four at a high  
2 level?

3 A Yes. We ultimately didn't get to step four, but step  
4 four was intended to be a nonbinding dispute resolution  
5 process, where both sides would have an opportunity to make  
6 their case pro or con against the claims and loans, and  
7 there would be additional dialogue at that point in time  
8 about the merits of each.

9 Q Okay. And step five?

10 A Step five was intended to be for the loans which  
11 couldn't get decided in step four; but, ultimately, they  
12 would be brought to a court and decided.

13 Q Okay. And since we're going to focus today in large  
14 part on step two in the review that actually occurred, can  
15 you describe for the Court what your role was in step two of  
16 the process?

17 A So my role in step two was to manage and oversee the  
18 process. It was a voluminous undertaking from an  
19 operational perspective, from a quality control perspective,  
20 from a making sure that we were making the right reasoned  
21 arguments. So it was quite an undertaking, and my  
22 responsibility was to manage the entire process.

23 Q And what do you mean by manage; what was involved in  
24 managing the process?

25 A So I was responsible for bringing in other parties to

1 help facilitate the process. So we brought in Recovco from  
2 a loan review perspective. We brought in Rollins Braswell  
3 and Fisher from a legal claim assessment perspective. We  
4 used my team heavily from an operations management  
5 perspective, as well as providing our experience from all of  
6 the downstream work that we had done at the loan level  
7 pursuing claims. So, ultimately, my responsibility was to  
8 bring all the parties together necessary to complete this  
9 type of review, which was fairly broad in scale in scope,  
10 and make sure that we got it done right.

11 Q And how did you oversee this process?

12 A So throughout step two, I had weekly formal scheduled  
13 calls with members of Recovco and RBF, where we discussed  
14 operational issues, we discussed quality issues, we  
15 discussed quantity issues. I had continual dialogue with  
16 those parties, even throughout the week when we weren't  
17 having those formal meetings. As issues popped up, we  
18 raised them.

19 One of the things that I made sure that we had  
20 early on was data to make sure that I could manage the  
21 process from an analytical perspective. We set up where we  
22 could receive data and results from the reviews that were  
23 taking place at both Recovco and RBF on a daily basis. And  
24 we set up the analytics, so I could manage each day what was  
25 going on in the pipeline to make sure that we met the

1 appropriate milestone, and also gauge the types of claims  
2 that were being made and the results of those findings.

3 Q During step two, did you ever have an opportunity to  
4 look at loan files yourself?

5 A I did. So while I was not in a direct line of  
6 reviewing files in step two, I mentioned there were weekly  
7 formal calls and other ad hoc items. So as loans went  
8 through the process, we had set up up front kind of how we  
9 intended to handle things as they came through. But  
10 obviously, you know, certain things arise, and you can't  
11 plan for every situation.

12 So as particular types of loans arose, either as  
13 identified by Recovco or RBF, I had plenty of opportunity to  
14 dig into the loan files myself and see the types of claims  
15 that were being made and the results of the reviews that we  
16 were doing.

17 Q Okay. Did you communicate with the other side at all  
18 during step two with the Trustees?

19 A Yes. We had, again, regularly scheduled calls with the  
20 Trustees throughout that entire -- and really, they're  
21 representatives Duff & Phelps, I should say -- to make sure  
22 that we were managing things from an operational  
23 perspective.

24 Q What was your intent with respect to the outcome of the  
25 protocol?

1 A I really had two main goals. One was to make sure that  
2 we had the appropriate team and process in place to manage  
3 this. The Trustees ultimately submitted nearly 200,000  
4 individual claims on 90-plus thousand individual loans.  
5 From an operational perspective, that was fairly voluminous  
6 and large. And so, I wanted to make sure that we had  
7 everything right operationally; but, most importantly, I  
8 wanted to make sure that we were assessing claims accurately  
9 and fairly and making sure that we were reaching the right  
10 outcome for all creditors. And so, I wanted to make sure  
11 that there was precision, and we could keep things  
12 consistent, and we were coming to the right answer at the  
13 end of the day.

14 Q What do you mean when you say for all creditors?

15 A Similarly to what I mentioned earlier in the questions.  
16 I wasn't trying to think of or come up with any and all  
17 possible defenses to these claims. We really wanted to  
18 assess the claims on their merits relative to the loan files  
19 and make fair assessments.

20 Q I'd like to take a step back for a moment and talk  
21 about the proofs of claims that were filed for these -- with  
22 respect to these loans. And if I use the term POCs, will  
23 you know what I'm talking about?

24 A Yes, I will.

25 Q Okay. When were the Trustees' POCs filed for the

1 claims at issue in this case?

2 A They were filed on or before the bar date in September  
3 of '09.

4 Q And what did the Trustees claim when they submitted  
5 those POCs?

6 A You know, quite frankly, it's hard to tell what they  
7 claimed. They filed several hundred individual proofs of  
8 claims against two different debtors, LBHI and SASCO. But  
9 based upon the information that was contained in their  
10 claims, it was really hard to decipher, and they were very  
11 inconsistent.

12 And what I mean by that is sometimes they filed a  
13 proof of claim for one trust; sometimes they filed a proof  
14 of claim for multiple trusts; sometimes they filed a proof  
15 of claim for entire shelves of Trustees. Sometimes they  
16 filed a claim essentially as a placeholder claim and just  
17 said the claim is for zero dollars; other times, they filed  
18 a claim and said the claim amount should be the entire  
19 unpaid principal balance of the deal that was outstanding at  
20 that time.

21 And they generally mentioned that they were for  
22 breaches of representations and warranties; but in the  
23 proofs of claims themselves, there was no real understanding  
24 of what loans they were claiming breached the  
25 representations and warranties. So based upon the proofs of

1 claims themselves, we really had no idea what the issue was.

2 Q So what did you do in response when those POCs were  
3 filed?

4 A So as I mentioned, my experience at Aurora and  
5 everything I had done to date was at the loan level. We  
6 always wanted to see what were the loan-level issues and how  
7 did they breach the representations and warranties. And so  
8 in 2010, members of my team reached out to these Trustees  
9 and sought additional information with which to assess these  
10 claims. We sent them a spreadsheet, and that spreadsheet  
11 had multiple columns just asking for loan-level data. In  
12 2010, hey Trustees, do you know of any breaches of  
13 representations and warranties in these deals? And if so,  
14 please let us know so we can assess your claim.

15 Q Can you describe that spreadsheet just a little bit  
16 more? The spreadsheet that you said you sent to the  
17 Trustees.

18 A Yeah. So it was a simple Excel spreadsheet with  
19 multiple columns seeking loan-specific data. So the  
20 expectation was that the Trustees would tell us, for these  
21 specific loans at a loan level: here's the issues with the  
22 loans; here's the damage we're seeking; here's the defect  
23 that we found; here's the representation and warranty that  
24 we breached; here's the debtor that we're asserting the  
25 claim against, because keep in mind, they asserted a claim

1 against two different debtors. What was your bases for the  
2 claim; what was your factual support for your defect? So  
3 those types of things were what we were seeking in 2010.

4 Q Did the Trustees that are part of this proceeding ever  
5 provide you that information?

6 A They did not.

7 Q And approximately when did you say you were sending  
8 these spreadsheets over?

9 A In 2010.

10 Q At any time before 2014 when the protocol was entered,  
11 did the Trustees in this proceeding ever give you enough  
12 loan-level information, whether it was in this template or  
13 otherwise, for you to evaluate any of their claims?

14 A We ultimately did not get sufficient information to  
15 really assess and weigh their claims.

16 Q I'd like to talk a little bit about your expectations  
17 for the protocol before you went into the protocol. But  
18 first, can we put up an excerpt from the protocol order?  
19 PA-74 at Page 10. Mr. Trumpp, do you see -- this is Page  
20 10, Section E3 of the protocol. Can you read that first  
21 sentence?

22 A All such claims shall be submitted on a rolling basis  
23 promptly upon the applicable RFBs Trustees good faith  
24 determination that the relevant claim file contains a  
25 material breach, as defined in Section 4(c) below.

1 Q What's your understanding of that?

2 A My understanding is simply that the Trustees needed to  
3 make good claims that were valid, well thought out claims.

4 Q And was that your expectation for the protocol?

5 A Yes, it was.

6 Q Was that expectation met?

7 A No. And what I mean by that is, I had spent the last  
8 several years dealing with loan-level repurchase claims,  
9 both in contract administration and especially at my time at  
10 loss management. So I had a pretty good understanding on  
11 the loans and these particular securitizations, and I had a  
12 really good understanding of what it meant to support and  
13 prove claims given the litigation that had gone on. And so,  
14 I had a pretty good understanding of what it took to make a  
15 good claim and a claim that stuck.

16 And ultimately, the claims that the Trustees made  
17 are not the types of claims that I anticipated seeing. So,  
18 for example, claims on active loans that are still  
19 performing 10 years post-securitization are not types of  
20 claims that I anticipated seeing. Claims for missing  
21 documentation; those are not the types of claims that we  
22 would have historically pursued because we understood that  
23 information degrades over time in a servicing file. And  
24 even if it was missing, the vast majority of the documents  
25 aren't necessarily documents that would lead to an adverse

1 in material effect on the value of the loan.

2 Claims for the types of regulatory issues that we  
3 saw are not the types of claims we would have historically  
4 pursued, based upon the tolerance levels that they were  
5 using. They were using a \$35.00 tolerance level for  
6 violations, and we understood the standard to be a \$100  
7 tolerance. We also saw where they were making regulatory  
8 type claims that were not appropriate given the federal  
9 charter of the bank that originated many of the loans. We  
10 also saw claims for misrepresentations of debts, where the  
11 additional debt was taken out post-origination of the  
12 subject loan.

13 So those are all just some high-level examples of  
14 types of types of claims that I did not anticipate seeing in  
15 this process given my experience of pursuing those types of  
16 claims downstream.

17 Q Let's talk about what you anticipated. Do you remember  
18 the plan administrator filing a motion to set the reserve  
19 back in 2012?

20 A I do.

21 Q And do you recall that you filed a declaration in  
22 support of that?

23 A I do.

24 Q I'd like to show you that declaration. It's in your  
25 binder, TRX-726.

1 THE COURT: What was the exhibit number again?

2 MS. DOMINGUEZ-BRASWELL: TRX-726.

3 THE COURT: I see. Thank you.

4 Q Mr. Trumpp, is that the declaration that you filed in  
5 support of the plan administrator's motion to set the  
6 reserve?

7 A It is.

8 Q I'll point you to some specific sections in a minute,  
9 but what was the purpose of this declaration?

10 A So as I mentioned briefly earlier, we received proofs  
11 of claims from the Trustees that were all over the board.  
12 And if you added up the filed claim amounts for those proofs  
13 of claims, it was like \$37 billion, and we knew that we  
14 couldn't establish a reserve to get the plan confirmed at  
15 \$37 billion.

16 And so, in light of the fact that we had  
17 absolutely no information from the Trustees with respect to  
18 their claims and how to value them, I used my experience at  
19 that time in 2012 to estimate the range of potential claims  
20 that could be in these securitizations. And so, I leveraged  
21 my experience in loss management and reviewing loans in  
22 these very same deals to come up with a methodology for  
23 estimating the potential range of claims, assuming that at  
24 some point in time in the future, the Trustees actually  
25 proved the claims at the loan level.

1           So our assumption all along was that the Trustees  
2           would eventually have to prove loans at the loan level, so  
3           we came up with a range of potential outcomes, listed here  
4           as the highest scenario or the lowest scenario, purely for  
5           setting a reserve purpose. And so this document says that  
6           we thought the claims should be worth at that point in time  
7           somewhere between \$1.1 and \$2.4 billion, depending upon  
8           several variables. And so, that was what we thought was an  
9           appropriate reserve on the high end of 2.4 billion. And  
10          then ultimately, that reserve was set at \$5 billion, but the  
11          intent was to come up with an estimate of claims for reserve  
12          purposes.

13       Q     Okay. And you said you used a methodology, and I'd  
14              like to talk about that methodology. I think you started at  
15              Page 6 of the declaration beginning with step one, and going  
16              to Page 8 of the declaration ending with step seven. Can  
17              you describe those steps at a very high level?

18       A     Yeah. So there's essentially three elements, even  
19              though there are seven steps. And the first five steps are  
20              really coming up with a way in 2012 to look at actual losses  
21              that had been incurred to date in these particular  
22              securitizations and estimating any potential future losses.

23              So our starting point for the first element was,  
24              what are the actual and estimated losses in these particular  
25              securitizations and for the relevant loans. Because, again,

1 not all loans with losses in these deals were either (a)  
2 covered by a representation or warranty made by LBHI, some  
3 were the transferor loans; or (b) not all of the loans with  
4 losses would ultimately have a breach as asserted by the  
5 Trustees or would be valid.

6 So the next two steps, and it's specifically step  
7 six in the declaration is, you had to assess what proportion  
8 of the actual and estimated losses in these securitizations  
9 were the result of a breach as made by the Trustees, and  
10 that's one of the key parts here. So not all losses on  
11 loans are the result of a breach of a representation and  
12 warranty.

13 And so, we looked at my experience from reviewing  
14 loans in these very same securitizations pre-bankruptcy, and  
15 we looked at what was that defect rate done by our in-house  
16 teams in loss management. And we said, on the high side  
17 that defect rate is approximately 35 percent. So let's use  
18 that as an assumption for how many times would the Trustees  
19 allege proofs of -- allege breaches of representations and  
20 warranties against the plan administrator.

21 So we came up with the breach rate. And we said  
22 on the low side, it was 38 percent; and on the high side, it  
23 was 35 percent. And that was to represent what loans with  
24 losses would be presented to the plan administrator as  
25 potential breaches of representations and warranties.

1           The seventh step, or the third real element, is  
2       determining what percentage of the claims that the Trustees  
3       brought forth, via the percentage of loans with breaches  
4       that they would allege, where the plan administrator  
5       ultimately agree with. And based upon our experience in our  
6       downstream claims, I knew full well that I wouldn't be  
7       pursuing claims downstream where 100 percent of the time, I  
8       would find I was right. It would ultimately be a process  
9       and a dialogue between the downstream parties where they  
10      would say, hey, you know what, you said X; but really, did  
11      you think about Y. And we'd have to take that into  
12      consideration to determine well, is that really a breach of  
13      a representation or warranty or not that was valid.

14           And so step seven was coming up with the  
15      validation rate to assess what proportion of the claims that  
16      the Trustee was ultimately submitting against the estate,  
17      would we agree are valid, well proven, substantiated  
18      documented claims. And so, on the low side in step seven,  
19      we looked at a 30 percent validation rate; and on the high  
20      side, we set it at a 40 percent validation rate. And,  
21      again, the validation rate was essentially an approval rate  
22      back in 2012 that we came up with to say, given the lack of  
23      information presented by the Trustees, let's rely on my  
24      experience and come up with some methodology for estimating  
25      what the potential range of claims could be for reserve

1 purposes.

2 Q Okay. And I'd like to break that up into two pieces.  
3 First, focusing on step six, what you called the defect rate  
4 or, as I think as you described it, the percentage of --  
5 from the losses, right? The percentage from the losses that  
6 would be alleged as a breach of a representation and  
7 warranty, so the allegations made by the Trustees. You  
8 estimated 30 percent in your -- or 35 percent in your  
9 declaration on the high end, right?

10 A That's correct.

11 Q And how does that compare to the breach rate or the  
12 allegations made by the Trustees under the protocol?

13 A So using their numbers of the loans that they reviewed  
14 and ultimately submitted claims on? They would say the  
15 breach rate was 55 percent. So ultimately, they made more  
16 claims on a percentage basis than what I would have  
17 anticipated back in 2012. And that makes sense, given the  
18 additional types of claims that I would never have  
19 anticipated them making.

20 So, you know, while on the one hand, I am not  
21 surprised with the outcome, I'm not surprised by the  
22 starting point either. Because the 55 percent breach rate  
23 that they assert is made up of many types of claims that I  
24 would have never anticipated ever seeing in the process or  
25 what I have ever pursued myself.

1 Q Okay.

2 THE COURT: Can I ask a clarifying question? A  
3 rate implies a -- there's a numerator and a denominator,  
4 right?

5 MR. TRUMPP: Yes.

6 THE COURT: Could you explain -- it's unclear to  
7 me what the rate; rate of what?

8 MR. TRUMPP: Yup, okay. So the 35 percent --

9 THE COURT: I'm sorry?

10 MR. TRUMPP: The 35 percent breach rate that I  
11 used in step six of my declaration was the -- intended the  
12 percentage of loans reviewed that ultimately would be  
13 asserted by the Trustees with a breach of a representation  
14 or warranty. And so what I mean by that is, they reviewed  
15 many loans in the protocol process that I never saw as a  
16 claim. So we're looking at what proportion of the loans  
17 that they reviewed ultimately became a claim and submitted  
18 to the estate.

19 THE COURT: So let's use 33 percent is an easy  
20 number because it's a third.

21 MR. TRUMPP: Yup. So they would have found 33  
22 loans in a population of 100 that they believed had a breach  
23 of a representation and warranty; the other 67 would not  
24 have. They would just be loans that has liquidated with a  
25 loss for some other reason.

1 THE COURT: So is it one or more breach?

2 MR. TRUMPP: Well, so I --

3 THE COURT: Because where I'm going with this is  
4 that in this case, there's talk about breach claims and  
5 there's talk about loans.

6 MR. TRUMPP: Yes.

7 THE COURT: So a loan, hypothetically, can have  
8 more than one breach claim associated with this.

9 MR. TRUMPP: Yes.

10 THE COURT: So when you're talking about a breach  
11 rate, you're talking about the percentage of loans as to  
12 which there is one or more breach claim asserted.

13 MR. TRUMPP: Correct. This analysis is done at  
14 the loan level.

15 THE COURT: Thank you. Okay.

16 Q And to make sur we're clear on this. How does that 35  
17 percent that you estimated in your declaration compare to  
18 what actually happened in the protocol?

19 A So based upon the information we'd received from the  
20 Trustees on what they reviewed, they had a 55 percent breach  
21 rate; meaning 55 out of every 100 loans, they found a  
22 breach, according to their definition, and sent it over to  
23 us as a claim.

24 Q Okay.

25 A And let's just -- let's think about that, right? On a

1 percentage basis, they're saying more than one out of every  
2 two loans that defaulted and took a loss, or they reviewed,  
3 had a breach in it. Just intuitively, that's pretty high.

4 Q Let's talk about the step after that, the validation  
5 rate is what you called it. And that's in step seven of  
6 your declaration on Paragraph 20. You estimated  
7 approximately 40 percent for the high rate, in terms of the  
8 number of alleged breaches that the plan administrator would  
9 ultimately approve. How does that compare to what happened  
10 under the protocol?

11 A So ultimately, our approval rate was much less. The  
12 plan administrator likes to highlight the fact or state that  
13 it was --

14 Q Trustees?

15 A Sorry. The Trustees like to highlight the fact that it  
16 was a 1 percent approval rate. But you really have to look  
17 at the right denominator and the right numerator to come up  
18 with the appropriate math on that. So the way they do it is  
19 they say, I submitted 94,566 loans, and you approved 1,260  
20 loans; therefore, it's 1 percent. But you can't necessarily  
21 do that because 30,000 of the 90,000 loans that they  
22 submitted, we never even looked at because there wasn't  
23 sufficient documentation in the loan file. So we would  
24 argue, you really got to take that out of the denominator.

25 THE COURT: Hold on one second. Is something

1 happening over there? Did you lose your copy?

2 MR. SHUSTER: No, I'm having a real-time issue.

3 It's nothing. We have multiple screens, we're good.

4 THE COURT: You sure, because we can --

5 MR. SHUSTER: Yes, but thank you. Thank you.

6 THE COURT: Okay.

7 MR. SHUSTER: Sorry to interrupt.

8 MS. DOMINGUEZ-BRASWELL: I'm okay pausing if you  
9 need to.

10 MR. SHUSTER: No, we're good. Thank you.

11 THE COURT: Thank you, Mr. Shuster. Okay, go  
12 ahead.

13 A So we think you should be able to do some adjustments  
14 to the denominator to take into account the loans that  
15 weren't reviewed; the loans that were ultimately withdrawn  
16 by the Trustees; the loans that are no longer a part of this  
17 case because the loans either opted out via the trust, that  
18 opted out or the trust terminated and collapsed. So when  
19 you take all of that into account, the denominator changes  
20 from 94,000 loans to 47,000 loans, so you got to make sure  
21 you have the right denominator.

22 Q I'd like to show you --

23 THE COURT: Can I -- I want to drill down on this  
24 because I really want to understand this. Are -- you  
25 mentioned a number of minutes ago loans in which there were

1 no payment defaults and loans -- impliedly -- loans in which  
2 there were. In this defect rate, where does that come in?

3 MR. TRUMPP: So the breach rate or defect rate in  
4 this analysis was intended to represent the amount of claims  
5 that Trustees would find and make against the plan  
6 administrator. And so, the defect rate is essentially in  
7 that breach rate, that 35 percent. It's, again, how many  
8 loans would they review and decide were sufficient to make a  
9 claim against the estate. And so, I thought at the time, it  
10 would be 35 percent on the high side. Based upon the  
11 results of their review, they made the determination that  
12 really it should be much higher at a rate of 55 percent. So  
13 more than one out of every two loans that they reviewed they  
14 said had a breach on it.

15 THE COURT: So this is not -- this is just  
16 ballpark estimates. This is not reality based.

17 MR. TRUMPP: Correct. This was in 2012 --

18 THE COURT: Okay.

19 MR. TRUMPP: -- purely for estimation purposes in  
20 setting the reserve. So this is just an opportunity for us  
21 to walk through what I anticipated occurring versus what  
22 actually occurred.

23 THE COURT: But did your estimate at that point  
24 take into account any determination or review of the  
25 percentage of the loans that were in the denominator as to

1 whether or not they were what I would call performing loans  
2 or not?

3 MR. TRUMPP: So in my analysis --

4 THE COURT: In other words, loans in which there  
5 were no extant payment defaults.

6 MR. TRUMPP: So when I mentioned three elements,  
7 the first element of this analysis was starting with actual  
8 and estimated future losses. So by definition, a loan  
9 that's performing and a loan that's not anticipated ever  
10 incurring a loss would be excluded from that analysis.

11 THE COURT: Okay, go ahead.

12 MS. DOMINGUEZ-BRASWELL: And, Your Honor, I just  
13 want to make sure that Mr. Trumpp's point around -- because  
14 you asked whether this was what happened before or what  
15 happened now. And one of the things that Mr. Trumpp  
16 testified to was what happened now, and I want to make sure  
17 we don't lose that piece.

18 THE COURT: Okay. You need to do whatever you  
19 need to do through testimony.

20 MS. DOMINGUEZ-BRASWELL: Okay, okay.

21 THE COURT: Okay?

22 MS. DOMINGUEZ-BRASWELL: Thank you.

23 Q So, Mr. Trumpp, the 35 percent in terms of what you  
24 thought the Trustees would actually submit to the plan  
25 administrator, how does that compare to what happened under

1 the protocol?

2 A So under the protocol, they ultimately made claims at a  
3 much higher rate than I anticipated, and that is evidenced  
4 by the types of claims that they made. Because they made  
5 types of claims I would have never anticipated, the ultimate  
6 breach rate, as asserted by the Trustees in the protocol,  
7 was much higher than what I would have assumed back in 2012.

8 Q Okay. And, Mr. Trumpp, you testified to the 1 percent  
9 calculation and then described how you would do that  
10 calculation differently. And I'm going to show you a screen  
11 with some numbers on it, and I'd like you to explain that to  
12 the Court.

13 A So I mentioned you really need to adjust the  
14 denominator to make sure that you're doing the math  
15 appropriately. So if you start with the entire population  
16 of loans submitted in the protocol -- and, again, this is  
17 loans, not claims -- of 94,566 loans, and you back out the  
18 loans that were placed on hold for missing critical  
19 documents and you back out the loans from withdrawn trusts  
20 or the loans in the opt-out trust or the loans where the  
21 Trustees ultimately withdrew their own claims, it's 47,775  
22 loans for an adjusted denominator. And similarly, you also  
23 would need to adjust the numerator.

24 Q Okay. Can we see the next part of this equation; can  
25 you explain that?

1 A And what I mean by that is, based upon the protocol  
2 results for the remaining loans, the plan administrator  
3 passed 1,260 loans. But there were 3,079 additional loans  
4 where the loan passed at the breach level, but ultimately  
5 failed at the AMA level. So if you really want to look at  
6 how many loans at the end of the day did the trust -- excuse  
7 me -- did the plan administrator pass at the breach level,  
8 it's really 4,339 loans. And so, if you look at that new  
9 numerator over the new denominator, it's not 1 percent --  
10 the headline number that the Trustees like to hold out; but,  
11 really, it's 9 percent.

12 Q Okay. Let's talk about the protocol process, starting  
13 with step zero. What did step zero entail?

14 A So, again, step zero was primarily the aggregation of  
15 the information used in the loan files for the reviews by  
16 the Trustees. And so, from the plan administrator's  
17 perspective, we reach out to Aurora Loan Services, who was a  
18 primary servicer for many of the loans at issue, and worked  
19 with them to aggregate the loan files that they had in their  
20 possession, used their electronic documentation and/or got  
21 additional documents scanned, and sent them to the Trustees.

22 Q And what was the plan administrator's role in step  
23 zero?

24 A Again, the plan administrator's role was really just  
25 gathering the documentation from Aurora and sending it on.

1 Q And the documentation from Aurora, what does that mean;  
2 what are you referring to?

3 A The loan file made up of the types of documents that  
4 are listed in Exhibit B to the protocol. But that's  
5 origination documents and servicing documents, not just --  
6 so it wasn't just the original loan file; it also included  
7 all the secondary servicing information that occurred post-  
8 origination of the loan.

9 Q And approximately how many Aurora loans were collected?

10 A About 51,000.

11 Q And were you involved in that process?

12 A I was.

13 Q And are you generally familiar with the state of those  
14 50,000 files?

15 A I am. So I mentioned earlier in my work history, I had  
16 for a period of time oversight in the loan administration  
17 functions at Aurora, which included both their primary  
18 servicing and their master servicing operations. And so, I  
19 had reason to understand and know from an Aurora perspective  
20 what they had in their loan files and kind of how that  
21 worked, but I also had an understanding about how that  
22 worked from my loss management days.

23 So I mentioned the work that I did in loss  
24 management on behalf of the master servicer. So the way  
25 Lehman's deals are structured and the reason they have a

1 master servicer, since there are typically more than one  
2 primary servicer underneath each securitization. And so, if  
3 I was reviewing loans on behalf of the entire  
4 securitization, I had to reach out to those other services.  
5 So I had experience reaching out to other servicers and  
6 obtaining loan files and putting them through reviews,  
7 either with my in-house team or with the three parties that  
8 I talked about earlier from an outside perspective.

9 And so, gathering loan files was something I had  
10 quite a bit of experience with, and it does not surprise me  
11 at all that documentation in the loan files may not  
12 necessarily or always be there. Over the course of time,  
13 servicers were either reliant on what the originators gave  
14 them, or they had varying scanning policies. Because keep  
15 in mind, we're talking about 2002 to 2008 for the relevant  
16 period; different servicers had different scanning policies  
17 on what they would scan in the loan file.

18 From a servicing perspective, you don't  
19 necessarily need to have all of the original documents  
20 scanned. From a servicing perspective, they don't  
21 necessarily need the origination appraisal; that wasn't  
22 something that they needed to scan. So scanning policies,  
23 especially at Aurora, evolved over the course of time.  
24 Eventually, later on -- 2007-2008 -- it got to where they  
25 would scan the majority of the loan file, but that didn't

1 necessarily happen.

2 And so, again, whether it was Aurora or me dealing  
3 with other services, when we got loan files, we knew you  
4 wouldn't always get everything that you needed from an  
5 origination perspective. But we did typically expect, and  
6 we understood that you should be able to get all of the  
7 servicing documents. They're servicing the loan; you should  
8 be able to get that information. So I had quite a bit of  
9 experience gathering documents, and I relied on that  
10 experience when I gathered the Aurora documents.

11 Q And let's see what the protocol order says about the  
12 Aurora files. Can we look at Page 7 of the protocol,  
13 section 2A? Mr. Trumpp, do you see the beginning of that  
14 section? It references the 51,109 Aurora files, and it  
15 calls them substantially complete origination files. What  
16 does substantially complete mean?

17 A Yeah, so this is taken from a section of the protocol  
18 where we're talking about the assumptions regarding the loan  
19 file reviews that were to take place in step one and step  
20 two. And Aurora provided over 51,000 substantially complete  
21 loan files, but it's substantially complete for purposes of  
22 loan reviews. It wasn't intended to be an assertion that  
23 100 percent of the documents at origination were in these  
24 loan files.

25 Q Let's move on to step one of the protocol, which you

1 testified earlier was the submissions phase. How were the  
2 claims submitted to the plan administrator?

3 A So the Trustees had certain requirements on how many  
4 loans they had to review in any given month. And as those  
5 reviews were completed, on a rolling basis, they were  
6 submitted to the plan administrator. So starting in March  
7 of 2015 on a twice-a-month basis, typically the 1st and the  
8 15th of every month, they would submit to us their claims,  
9 and we would begin our document inventory process and,  
10 ultimately, our loan review process.

11 Q And who typically submitted these claims to the plan  
12 administrator?

13 A Duff & Phelps did.

14 Q Who on behalf of Duff & Phelps?

15 A It varied over the course of time. Primarily, it was  
16 Edmond Esses.

17 Q Okay. And who at the plan administrator received them?

18 A So I received them, other members of my team received  
19 them, and our counsel.

20 Q Okay. Mr. Trumpp, I'd like to show you an exhibit  
21 marked Plan Administrator's (indiscernible) 9. And can we  
22 start with the -- I think it's the eighth page in this  
23 document or maybe it's the -- there we go. Mr. Trumpp, can  
24 you tell the Court what this is?

25 A This is an example of an excerpt from what's called the

1 claims tracking spreadsheet. So when the Trustees submitted  
2 their claims to us, we essentially got three things. We got  
3 one, the claims tracking spreadsheet, which is an Excel  
4 spreadsheet with a list of all of the loans and claims that  
5 the Trustees were making. And that claims tracking  
6 spreadsheet came in two different formats. One was like you  
7 see here, columns, and then rows were each individual claim  
8 as asserted by the Trustees, so these could be multiple  
9 claims per loan. And there were numerous columns, not just  
10 these four here, but other columns of data that they  
11 submitted to us.

12 Q And, Mr. Trumpp, if you scroll or flip through in your  
13 binder the next few pages, are those the columns you're  
14 referring to?

15 A Yes, all the key data points for each individual loan  
16 and claim.

17 Q And you said you received this in what format?

18 A In an Excel format.

19 Q Let's go to the beginning of this document, Page 1.  
20 What is this portion of the document?

21 A So this is essentially the same data in the claims  
22 tracking spreadsheet, but in the other format they gave it  
23 in. So there was one, there was a giant table of all the  
24 loans and claims. And this is where they gave us a  
25 different layout and tab of information per loan. So all of

1 this information here vertically in these columns is for one  
2 loan.

3 Q And just to orient the Court a little bit, can you  
4 describe some of the key pieces of information in this  
5 claims tracking spreadsheet for each claim?

6 A Yeah. So starting at the top, you know, they would  
7 identify for us the specific proof of claim number that they  
8 were asserting this loan matched up against. They would  
9 tell us who the claimant was, which trust it was in, who the  
10 debtor was. This is where they would assert whether it was  
11 an LBHI claim or a SASCO claim. They would tell us what our  
12 loan number was, what that particular servicer's loan number  
13 was, who the servicer was, when the loan was acquired -- the  
14 purchase date, whether it was a first lien or a second lien,  
15 the status of the loan.

16 So, for example, this one here they say is non-  
17 liquidated. That's a term that I would use to equal an  
18 active loan. So it just means it hasn't liquidated with a  
19 loss. It's performing today, it very well could be current.  
20 Who the borrower's name is, the city/state/zip, the purchase  
21 price, so what are they claiming from a damage perspective.

22 Q And before we go the next page, can you -- what other  
23 default statuses are there besides non-liquidated?

24 THE COURT: Can I ask a follow-up question? So  
25 non-liquidated means it's still an active loan.

1 MR. TRUMPP: Correct.

2 THE COURT: Okay. But can you tell from that verb  
3 whether or not the borrower is in default, in payment  
4 default, as of --

5 MR. TRUMPP: You cannot. They could be in  
6 foreclosure and the loan hasn't liquidated yet. It could  
7 be--

8 THE COURT: So it could be anywhere between  
9 current --

10 MR. TRUMPP: Correct.

11 THE COURT: -- and in foreclosure.

12 MR. TRUMPP: Yes.

13 THE COURT: Thank you.

14 A And so these -- the default status was one of two  
15 options; either the loan was liquidated, or it was non-  
16 liquidated. And so, if you want to dig further to determine  
17 where on the spectrum the non-liquidated loan is, we'd have  
18 to do that separately, and we often did.

19 Q Okay. Let's go to the next page, and keep walking  
20 through these data points.

21 A So the breakout of the purchase price is at the top of  
22 the page. The next, due date on the loan. But this is  
23 fixed as of the time of this, so you didn't always  
24 necessarily know because the loans due date potentially  
25 change every month. Which particular agreement it is that

1 they're asserting was breached, and so this typically would  
2 say the mortgage loan sale and assignment agreement. The  
3 date of that particular agreement. The date of the  
4 discovery of that particular defect. So keep in mind, you  
5 know, many of these loans were originated in the relevant  
6 period of 2002 to 2008; and here, we're talking about dates  
7 of discovery in 2015 and beyond.

8 And this is where -- the next is where they would  
9 talk about their alleged defects per loan, right. So in  
10 this particular claims tracking spreadsheet, they were  
11 asserting that the final HUD-1 was not a part of the  
12 documentation available for review. They were citing the  
13 particular contractual provision necessary for that breach,  
14 and the materiality basis. This was essentially their AMA  
15 statements for each loan.

16 And then if there were multiple claims per loan,  
17 they would have an alleged defect #1, alleged defect #2;  
18 and, ultimately, you know, that could be up to five or six  
19 different alleged defects on any given loan.

20 Q Okay. And can we keep scrolling through to the next  
21 page? And one more just so we see the end of it. How many  
22 total claims on this particular loan are there, Mr. Trumpp?

23 A So this particular loan in this particular claims  
24 tracking spreadsheet cites three different alleged defects  
25 or three claims.

1 Q And how do you know that?

2 A Based on the number one alleged defect, number two, and  
3 the number three.

4 Q Okay. And going to the materiality basis for defect,  
5 you said that was essentially their AMA statement. What do  
6 you mean by that?

7 A So one of the requirements on the protocol -- under the  
8 protocol, excuse me -- was for them to state why they  
9 believed that particular breach of a representation and  
10 warranty in that defect had a material and adverse effect on  
11 the value of the loan. And so this was their opportunity to  
12 do that.

13 Q I'd like to show you a slide from the plan  
14 administrator's opening. Can we go to Slide 11? Do you  
15 remember this slide?

16 A I do.

17 Q What are the statements that you see here?

18 A So, these are essentially the boilerplate AMA  
19 assertions that the Trustees made, and this is, you know,  
20 essentially the examples that they put into that cell of the  
21 claims tracking spreadsheet every time.

22 Q Can we go back to the claims tracking spreadsheet,  
23 please? When you say "that cell", are you referring to the  
24 materiality basis cell?

25 A I am.

1 MS. DOMINGUEZ-BRASWELL: Your Honor, I'd like to  
2 move this document into evidence but I don't know what your  
3 preference is. Whether you want us to do it...

4 THE COURT: Well, the way that I think we're going  
5 to do this so that we don't interrupt the flow is that --  
6 and I thought I had communicated this before but if I  
7 didn't, I apologize. Each of you -- all sides should keep  
8 track of all the documents and then at the end you'll just -  
9 - we'll put them all in. And that way we don't have any  
10 interruptions. All right?

11 MS. DOMINGUEZ-BRASWELL: Okay, thank you.

12 THE COURT: We've been at it for about an hour and  
13 15 minutes, so any time you're at a stopping point I think  
14 would be good to give Mr. Trumpp a break.

15 MS. DOMINGUEZ-BRASWELL: I can take a break now.

16 THE COURT: Okay, why don't we do that?

17 MR. COSENZA: Can I raise one administerial issue?

18 THE COURT: Yes.

19 MR. COSENZA: I should've raised this earlier.

20 But just in terms of keeping time.

21 THE COURT: Yes.

22 MR. COSENZA: I think Ms. Braswell and Mr. Trumpp  
23 have been going since 10:10, and I thought just going  
24 forward -- because of the nature of these proceedings with  
25 the time limits, we can just put on the record when we start

1 and when we stop so we can keep track of all that.

2 THE COURT: That's fine with me.

3 MR. COSENZA: Oh, good. Okay.

4 THE COURT: All right, so it's 11:17. We're going  
5 to take a break. Mr. Trumpp, the rules are that during the  
6 breaks and until your testimony is complete, you're not to  
7 discuss the case or your testimony with anyone or be in  
8 anyone's presence while they're doing either of those  
9 things.

10 MR. TRUMPP: Okay.

11 THE COURT: All right? We'll come back in -- why  
12 don't we come back at 11:30 on the dot, all right? Thank  
13 you.

14 MR. COSENZA: Thank you, Your Honor.

15 (Recess)

16 THE COURT: All right, it's 11:34. Go ahead.

17 MS. DOMINGUEZ-BRASWELL: Thank you.

18 CONTINUED DIRECT EXAMINATION OF ZACHARY D. TRUMPP

19 BY MS. DOMINGUEZ-BRASWELL:

20 Q Mr. Trumpp, right before the break we were talking  
21 about the materiality basis statement. Do you see that on  
22 the screen in front of you?

23 A I do.

24 Q And before the break you said these were boilerplate.  
25 What do you mean by that?

1 A I mean they're very consistent. We saw them over and  
2 over again with all of the claims, with just very subtle  
3 changes.

4 Q And were these statements during the protocol, from the  
5 plan administrator's perspective, sufficient to satisfy the  
6 AMA requirement?

7 A No, because there was nothing individual about them.  
8 And what I mean by that is there was no way for us to take  
9 what they said on the materiality basis for any particular  
10 defect and apply it to the loan in question. So, there  
11 wasn't anything specific to the loan and the history on that  
12 loan, the borrower on that loan -- there wasn't anything  
13 specific in those materiality statements that we could use  
14 to really assess the facts and circumstances associated with  
15 their basis for saying that that particular breach adversely  
16 and materially affected the value of the loan.

17 Q Did the Trustees point to any evidence in the file  
18 related to the AMA issue?

19 A No, they did not.

20 Q And was that relevant to the plan administrator's  
21 analysis one way or the other?

22 A Absolutely. We were always looking for the evidence in  
23 the loan file and additional third party sources to assess  
24 all aspects of the claim, which included the AMA  
25 determination.

1 Q And what was the plan administrator's approach to the  
2 AMA issue under the protocol?

3 A So our approach was to weigh the evidence that was  
4 available in the file or through third party sources to  
5 assess and make determinations on whether that particular  
6 loan and that particular breach in question adversely and  
7 materially affected the value. We didn't make the  
8 assumption that if there was a breach, it automatically made  
9 an adverse and material effect on the value of the loans.  
10 We were also looking for evidence in the loan file that  
11 would point back to was there a relationship between the  
12 breach and an adverse effect on the value of the loan?

13 Q Was the AMA analysis separate from the breach analysis?

14 A Yes, absolutely.

15 Q In what way?

16 A Meaning, it was a separate and distinct analysis.  
17 First, we would look at the breach and the various  
18 components of the breach and assess whether there was one or  
19 not. But then once that was determined, then we would turn  
20 our attention and look -- did that breach, assuming there  
21 was one, have an adverse and material effect on the value of  
22 the loan? Because it's entirely possible to have an adverse  
23 -- or, excuse me, a breach that doesn't have an adverse and  
24 material effect on the loan. And so it was our position  
25 that in order to be a valid and approved pass under the

1 protocol it needed to have both.

2 Q And when the plan administrator was performing this  
3 analysis, was it looking to prove AMA on every loan?

4 A It was looking for a sufficient basis from the evidence  
5 in the loan file or potentially third party sources to  
6 assess whether there was or not. We weren't necessarily  
7 looking for proof but we were looking for an inference.

8 Q If a particular loan did have a valid breach claim, if  
9 the plan administrator determined that in fact there was a  
10 breach of a representation warranty, and the plan  
11 administrator determined that there was AMA on that  
12 particular loan, what was that called?

13 A We refer to it as a pass.

14 Q And if one of those components was missing, what was  
15 that called?

16 A We refer to it as a fail.

17 Q Okay.

18 MS. DOMINGUEZ-BRASWELL: I'm going to put up a  
19 board and, Your Honor, I would use a regular whiteboard just  
20 as a placeholder but my handwriting's bad so I thought I'd  
21 use a fancier version of that.

22 Q And I'm going to put up the two components that you  
23 just described, Mr. Trumpp. The breach...

24 THE COURT: This is very exciting.

25 Q ...and the AMA component. Is that an accurate

1 depiction of the two components you just described?

2 A It is.

3 Q And you said that was a...?

4 A Pass.

5 THE COURT: Not to steal your demonstrative  
6 thunder, but another option that you have is the Elmo, where  
7 you can put things up on the Elmo and have it project up on  
8 the screen. But this is lovely.

9 MS. DOMINGUEZ-BRASWELL: If this falls apart I'll  
10 go with the Elmo. And I'm hoping it doesn't. It's a little  
11 unstable. Thank you.

12 Q Now, besides these two elements -- so we just talked  
13 about the breach element and the AMA element. Are there  
14 other elements to the assessment of a claim?

15 A Yes. There's an assessment of the damages.

16 Q Okay.

17 A And notice.

18 Q And what do you mean by notice?

19 A Well, under the agreements, it was required that there  
20 was prompt notice given. And I'll defer to counsel and the  
21 attorneys on how best to interpret that but, again, we're  
22 talking about loans that were originated in the 2002-2008  
23 timeframe, and we're talking about breaches that occurred by  
24 definition at origination or at securitization. And so  
25 these particular breaches, as alleged, were discovered and

1 noticed not until 2015 or 2016.

2 Q And when you were pursuing claims downstream, were you  
3 held to that standard?

4 A So, yes. We had to give prompt notice, and that's  
5 really one of the things that goes into being able to find  
6 sufficient evidence or proof, or documentation to support  
7 your claim. It's much more difficult to assess the merits  
8 of a claim for what a borrower may or may not have done or  
9 said ten years after the fact versus upfront. Similarly, it  
10 also gives the other side a better opportunity under the  
11 contract to cure the defect, if possible, replace the loan  
12 in the securitization if that's still available under the  
13 securitization agreements; or if they were to repurchase the  
14 loan, allow them to mitigate their damages as they see fit.

15 Q And did the Trustees give prompt notice here?

16 A Again, I'll defer to counsel on the definition of  
17 prompt notice in the agreement, but in my opinion, no.

18 Q Now, other than this claims tracking spreadsheet that  
19 we've been discussing, did the Trustees provide anything  
20 else to the plan administrator when submitting their claims?

21 A Yeah, so there were essentially three things that they  
22 provided us on a rolling basis: One was the claims tracking  
23 spreadsheet, like we've been discussing. They submitted to  
24 us what was referred to as the claim package, which was a  
25 collection of documents either from the loan file itself or

1 third party documentation and the evidence potentially that  
2 the Trustees were relying on to support their claims. So we  
3 call that the claims package. And then the third component  
4 was the loan file itself. And, again, that was outlined  
5 from a documents perspective in Exhibit B to the protocol,  
6 but it was all of the origination and servicing information  
7 available from the servicers for that particular loan.

8 Q Did the claim package that the Trustees provided match  
9 the claims statement as we saw it here?

10 A Sometimes it did, sometimes it didn't. Sometimes they  
11 would refer to documents in the claims statements on the  
12 claims tracking spreadsheet that weren't necessarily in the  
13 claim package or the loan file.

14 Q Okay. And you just mentioned the loan file. That's  
15 also something the Trustees provided?

16 A Yes.

17 Q And is the loan file separate from the claim package?

18 A It was.

19 Q And what was the plan administrator's practice during  
20 the protocol as it concerns the loan file?

21 A So, from our perspective, the loan file was essential  
22 to our review, and it was a key component of all aspects of  
23 the review. We were always looking for the information in  
24 the Trustees' claim package, and we were always looking to  
25 assess what they were saying in relation to all of the facts

1 and circumstances for each particular borrower and loan.

2 And so we had to look at the entire loan file and all of the  
3 documentation in the loan file. We couldn't just look at  
4 the claim package as asserted by the Trustees. And so we  
5 were always looking back, spending time in the loan file to  
6 try and get a holistic view of that particular loan and  
7 borrower.

8 Q Mr. Trumpp, I'm going to hand you a copy of one of the  
9 loan files that we're going to be discussing today. You  
10 don't have to look at it right now. Just take a minute, put  
11 it next to you. And then I'm also going to hand you a copy  
12 of the claim package. Oh, you've got it in your binder.

13 A It's in the box.

14 Q Oh, it's in the box. Great. A copy of the claim  
15 package for this particular loan.

16 THE COURT: Does that correspond to something in  
17 the book?

18 MS. DOMINGUEZ-BRASWELL: Yes. The claim package  
19 is Plan Administrator 689. And, Your Honor, we don't have  
20 that entire loan file. It's almost 3,000 pages so we don't  
21 have that in your binder; we just have select documents from  
22 there.

23 Q But, Mr. Trumpp, that loan file that I just handed you,  
24 as compared to that claim package, is that typical in terms  
25 of the volume difference between the claim package and the

1 loan file?

2 A It is. So, the claim packages varied in size but they  
3 were generally 50 pages or less. And the loan files  
4 themselves were -- they started in several hundred pages,  
5 three, four, 500 pages upwards to four or 5,000 pages. And  
6 the loan in question that we'll be talking about later today  
7 is 2,900 pages of documents in the loan file itself. So  
8 we're talking about an immense volume of documents when  
9 we're talking about 94,000 loans.

10 Q And do you remember in a deposition Mr. Shuster asked  
11 you to focus on a fraction of the evidence in the response  
12 to a claim? Do you think it's appropriate to focus on just  
13 a fraction of it?

14 MR. SHUSTER: Objection to form.

15 THE COURT: You can answer the question. Go  
16 ahead.

17 Q Yeah. And as we'll demonstrate, that whole loan file  
18 itself was essential to our review. We wanted to take a  
19 holistic assessment of all facts, and circumstances, and  
20 evidence available.

21 MS. DOMINGUEZ-BRASWELL: And, Your Honor, I think  
22 I might've told you 689, and it's actually 663. I apologize  
23 for that.

24 THE COURT: Okay.

25 MS. DOMINGUEZ-BRASWELL: The claim package is

1 PA663.

2 Q Mr. Trumpp, when the plan administrator was performing  
3 its analysis, did it ever find anything in the loan file  
4 that was relevant to its analysis but that was not included  
5 in the claim package?

6 A Yeah. So, again, the intent behind the claim package  
7 was the Trustees' bases and their assertion of the evidence  
8 necessary to establish a claim and a breach. We obviously  
9 took a look at the whole file, and it was not uncommon to  
10 find information in the loan file which contradicted the  
11 information in the claim package. And, hence, why the  
12 ultimate part of our review was weighing available  
13 information in evidence to make a valid assessment.

14 Q Now, Mr. Trumpp, you didn't personally conduct every  
15 single loan file review in this case?

16 A No, I did not.

17 Q So, how do you know that? How do you know that there  
18 were times where there was contrary information in the loan  
19 file?

20 A So, I mentioned earlier there was constant dialogue and  
21 communication between both Recovco and RBF and the plan  
22 administrator. And that dialogue was ongoing throughout the  
23 entire process. And I had constant feedback from the  
24 parties involved telling me what they're seeing and what's  
25 going on. I had continual reporting and analytics that I

1 was looking at to manage the process. And they gave me  
2 constant updates and communications on what they were  
3 finding and what they were seeing. Also, coupled with the  
4 fact that from time to time, I cracked open loan files and  
5 looked at the results of the reviews.

6 Q Okay. Let's keep going through the process that the  
7 plan administrator engaged in during the protocol. After  
8 the plan administrator received the claims tracking  
9 spreadsheet, the claim package, and the loan file, what did  
10 it do with that information?

11 A So, the first step inceptu for us was assessing the  
12 completeness of the loan file. In what I refer to as the  
13 document inventory process we literally took each one of  
14 those loan files and put them through a document scanner and  
15 a manual process to identify each and every document  
16 associated with every loan and recorded. And the reason for  
17 that is we wanted to make sure we understood what was in the  
18 loan files, and we also wanted to understand what wasn't in  
19 the loan files.

20 And we ultimately came to the conclusion that  
21 there were four key documents in the servicing portion of  
22 the loan file that we felt were critical to our review. And  
23 those four key documents -- if any one of those were  
24 missing, we put the loan on hold and reported back to the  
25 Trustees and said, "Hey, we can't do our review yet because

1 it would be incomplete to do a review now. So, please go  
2 get us this additional document. It's at the servicer. We  
3 know they should have it. So, please go get it. And then  
4 once you get that information for us, we'll take the loan  
5 off hold and do the review."

6 Q And approximately how many loans did you put on hold  
7 during the protocol?

8 A Approximately, 30,000 of the 94,000 loans that were  
9 submitted in the protocol were put on hold for missing one  
10 of those four key documents.

11 Q And what are those four key documents?

12 A So, those key documents are the servicing notes, the  
13 payment histories on the loans, the loss certifications, and  
14 the corporate expense logs.

15 Q And if you look in your binder, that's going to be Plan  
16 Administrator Exhibit 659 for the servicing notes, Plan  
17 Administrator 660, Plan Administrator 661 -- I'm sorry, 660  
18 for the payment history, 661 for the loss certifications,  
19 and 662 for the expense logs. Are those exhibits that I  
20 just referenced examples of the documents you just  
21 described?

22 A Yes, they are.

23 Q Now, let's take each in turn. What do you mean when  
24 you say servicing notes? What is a servicing note document?

25 A A servicing note is a history and a record of what the

1 servicer did on any one particular loan. And it records the  
2 actions that they may or may not have done on the loan, but  
3 it also records communications with the borrowers.

4 And so one of the things that servicers often did  
5 when they were seeking collection from borrowers and talking  
6 to the borrowers themselves was -- they would seek what's  
7 the reason for default on the loan? And that was something  
8 that the servicers recorded, and that was something that I  
9 wanted us to focus on and see, you know, what was the  
10 borrower telling us? Why did they default on the loan?  
11 That is something that I felt would be critical in our  
12 review in assessing AMA on the loan, but also you have to  
13 look at information in the servicing notes for assessing  
14 breach.

15 For example, the borrower could tell the servicer  
16 "You know, I just can't find a renter for that property, so  
17 that's why I can't make my payment because I can't find a  
18 renter." Well, if that was told at origination that that was  
19 an owner-occupied property and there's evidence of breach in  
20 the servicing notes, that's something that we would want to  
21 look at. So we felt servicing notes were critical to our  
22 review from both a breach and AMA perspective. And, again,  
23 this is something that was routinely kept by the servicer in  
24 their records.

25 THE COURT: So, hypothetically, if there's a

1 borrower who is not in default, there would be no servicer  
2 notes?

3 MR. TRUMPP: No, not necessarily. The servicer  
4 notes go on regardless of the status of the loan, and it  
5 just shows their actions. So, when they may have sent out a  
6 letter, when they may have sent out a billing statement, any  
7 type of campaign that the servicer may have done -- it's a  
8 record and a history of what the servicer did on the loan.

9 THE COURT: Thank you.

10 Q And, Mr. Trumpp, what is your understanding as it  
11 concerns servicing notes in whether or not they're required  
12 under the protocol?

13 A So, those are one of the key documents listed on  
14 Exhibit B.

15 Q What's Exhibit B?

16 A Sorry. Exhibit B is an exhibit to the protocol that  
17 lists the potential documents in the mortgage loans file and  
18 states what was required.

19 Q And how many documents are listed on Exhibit B?

20 A There's 41 different documents associated with the  
21 mortgage file.

22 Q Did the plan administrator require that the Trustees  
23 provide those 41 documents?

24 A Absolutely not. So, as I mentioned earlier, it was our  
25 understanding and expectation that there wouldn't always be

1 all of the documents associated with the file. So, while  
2 there may be particular documents that should've been or  
3 could've been in the loan file that weren't there, we didn't  
4 always place the loan on hold for that. We did, however,  
5 place the loan on hold for missing any one of these four key  
6 documents that any prudent servicer would have in their  
7 systems or available.

8 Q Let's talk about payment history. Can you describe for  
9 the Court what payment history documents are?

10 A Yeah, so the payment history is really an accounting  
11 that tells us when the borrowers make their payments, both  
12 from a date and time perspective but also from how those  
13 payments were allocated. Whether the servicer accrued any  
14 late fees on a particular loan, whether the servicer had any  
15 additional expenses or things charged to the loan. So it  
16 was really a history of the borrower's payments.

17 Q Okay.

18 A And this was used, from our perspective, to assess AMA,  
19 right? We wanted to know did the loan go into distress  
20 early on, which could be indicative of a breach, or did the  
21 loan perform for years?

22 Q Okay. And what is your understanding as it concerns  
23 payment history and whether those are required under the  
24 protocol?

25 A Those also are required under the protocol. They're

1 also listed in Exhibit B.

2 Q And was the plan administrator strict in its  
3 requirement on payment history, or was it willing to accept  
4 other forms of the same information?

5 A So, one of the things that we were able to  
6 collaboratively achieve with the Trustees was from time to  
7 time they were able to come up with other formats of  
8 information from other sources in lieu of the four key  
9 documents.

10 So, for example, there was a third party vendor by  
11 the name of Black Box that was able to provide payment  
12 history or payment stream data for many of the loans in  
13 these securitizations, and we worked collaboratively with  
14 Duff & Phelps to use that information in lieu of the  
15 specific payment histories for these loans. But it gave us  
16 the same general information that was included in the  
17 payment history, so that was sufficient for us. So, we  
18 worked collaboratively for other potential ways to solve the  
19 problem.

20 Q When you say that was sufficient for you, what do you  
21 mean by that?

22 A Meaning, so in certain instances they didn't  
23 necessarily give us a payment history per loan that looked  
24 like this but they gave us a giant table of information from  
25 this third party vendor that satisfied the requirements in

1 my mind of providing those payment histories.

2 Q And when you say "satisfied the requirements" does that  
3 mean you took the loan off hold and then reviewed it/

4 A If that was the only thing missing and that was what  
5 was provided, yes, we took the loan off hold and would  
6 review it.

7 Q Okay. Let's talk about the loss certifications. Can  
8 you explain what a Loss Certification Form is?

9 A So, a Loss Certification Form is something, again,  
10 that's fairly common in the industry, something that  
11 servicers maintain. It's a document that just walks through  
12 the math of the loan losses. And what I mean by that is, it  
13 starts with the unpaid principal balance at the time of the  
14 liquidation, it calculates how much accrued interest there  
15 was on the loan, it has deductions for the various expenses  
16 associated with the default process for the loan, and at the  
17 end of the day it gets down to the math that says here's the  
18 final loss amount on any given loans. And it was important  
19 for us to see that accounting to understand how you would  
20 get from an unpaid balance of X to a loss amount of Z and  
21 understand from an audit perspective all the various  
22 components to make sure that the loss amount that the  
23 Trustees were claiming was accurate.

24 Q Did you strictly require that information in this form?

25 A Again, no, we didn't require it specifically in this

1 form. We wanted the elements and the information contained  
2 in it but it didn't have to look like this. So, for  
3 example, we put some of these loans on hold and we worked  
4 collaboratively with Duff & Phelps, who also then worked  
5 with the master servicer Nationstar at the time to provide  
6 this level of detail and information just in a different  
7 format. And they provided that to us for many loans, and we  
8 were able to take those loans off hold if that was the only  
9 thing that was missing.

10 Q Okay. And so we have a common point of reference, what  
11 do you call that? What was that information they provided  
12 you?

13 A It was essentially a giant Excel Spreadsheet that just  
14 had the same data that was in a loss certification. So it  
15 was just a different format of a loss certification.

16 Q Who did that come from?

17 A Nationstar, the master servicer.

18 Q Okay.

19 THE COURT: So, can I just ask a follow-up  
20 question? So, in the absence of the loss certification,  
21 what was it that the Trustees were telling you with respect  
22 to the amount of loss or claim attributable to a particular  
23 loan?

24 MR. TRUMPP: So, as you saw in the claims tracking  
25 spreadsheet, there was a section in there for the purchase

1 price and it would have some limited detail there around the  
2 amounts that they were alleging as damages, but it didn't  
3 necessarily go to the level of detail that would be found in  
4 a loss certification for us to really assess and look at the  
5 math and make sure that it made sense, and that what the  
6 servicer did throughout the default process was appropriate.

7 THE COURT: Could you just give me a hypothetical  
8 example of what a variation would look like from what was on  
9 the spreadsheet to what you might find via getting the loss  
10 certification or information that tracked the information in  
11 the loss certification? Just hypothetically.

12 MR. TRUMPP: So, the claims tracking spreadsheet  
13 that we were looking at was for a non-liquidated loan.

14 THE COURT: Right.

15 MR. TRUMPP: So, it had the unpaid principal  
16 balance and a few different elements in it.

17 THE COURT: Right.

18 MR. TRUMPP: If I had one to show you for a  
19 liquidated loan...

20 THE COURT: Oh, do you want to...?

21 MR. TRUMPP: Yeah, it would just have the loss  
22 amount that they were claiming. It wouldn't necessarily  
23 show me the math.

24 THE COURT: Okay, so my question is, it has a loss  
25 amount -- say, it's \$100,000. What is it that a loss

1 certification or a comparable document would show?

2 MR. TRUMPP: So...

3 MS. DOMINGUEZ-BRASWELL: So there's -- just for  
4 reference, you've got a liquidated one that's Plan  
5 Administrator 691.

6 THE COURT: Okay.

7 MR. TRUMPP: So, on a liquidated loan they'd have  
8 this realized loss amount of \$99,940.

9 THE COURT: And what kind -- and liquidated  
10 specifically refers to what state of the world with respect  
11 to this loan, if it's liquidated?

12 MR. TRUMPP: Post-foreclosure, post-REO sale,  
13 there's actual loss --

14 THE COURT: What's REO?

15 MR. TRUMPP: Sorry. Real Estate-Owned, REO. If  
16 the servicer acquires the property at a foreclosure sale --

17 THE COURT: Right.

18 MR. TRUMPP: -- and ultimately sells the  
19 properties --

20 THE COURT: Sells...okay.

21 MR. TRUMPP: -- that acquired property is called  
22 an REO.

23 THE COURT: Okay.

24 MR. TRUMPP: And then when they sell that  
25 property, they have essentially crystallized the loss and

1 the loan is no more, the property is no more. We now know  
2 the math and we know exactly how much was lost.

3 THE COURT: Okay, so hypothetically this is --

4 MR. TRUMPP: So, hypothetically, in this  
5 particular example --

6 THE COURT: So, this means that there was an  
7 outstanding amount due and owing of --

8 MR. TRUMPP: That's just it --

9 THE COURT: -- \$399,000, and it was sold for  
10 \$300,000?

11 MR. TRUMPP: Yes, but you don't know what --

12 THE COURT: But you don't know. Okay.

13 MR. TRUMPP: Correct.

14 THE COURT: So now -- so you have this number, and  
15 what you're saying is that if you didn't have a loss  
16 certification, this might be a loan that got put on hold?

17 MR. TRUMPP: Yes.

18 THE COURT: Okay. And now my question is what  
19 would the loss certification tell you that would lead you to  
20 conclude something about this amount? I'm just trying to  
21 understand what is it about the loss certification that led  
22 you to put a file on hold if it wasn't there?

23 MR. TRUMPP: So, one of the things that was part  
24 of our process was to assess the damage component. And what  
25 I mean by assess is was it reasonable? Does it make sense?

1 Does it look like the --

2 THE COURT: Okay, so let me give you a  
3 hypothetical. I'm not trying to get us off on a detour  
4 here. So, hypothetically, you could get the backup for this  
5 and you could see that a lawyer charged an unreasonable  
6 amount of money and that that inflated the loss figure? I'm  
7 just trying to -- or that the math was wrong?

8 MR. TRUMPP: Correct. Or the servicer took five  
9 years to foreclose and sell the property. Yes, those are  
10 things we were looking for.

11 THE COURT: Okay. Go ahead.

12 Q Did the loss certification provide you any information  
13 with respect to the interest accrued?

14 A It did not. Oh, I'm sorry -- the loss -- I was back on  
15 this. Yes, the loss certification would tell us how much  
16 interest was accrued, it would tell us the expenses  
17 associated with it. It gave us the roadmap to how we could  
18 get from an unpaid principal balance of an amount to a low  
19 of an amount, and we could assess each individual step along  
20 the way to make sure that it was prudent.

21 Q Did the Trustees offer you something other than the  
22 Nationstar data that you just described in lieu of the loss  
23 certifications?

24 A They did.

25 Q What was that?

1 A They also offered the remittance statements, as issued  
2 by the Trustees for these securitizations.

3 Q And did that provide you the information that you  
4 needed?

5 A It told us what the final amount was, and some  
6 statements had some components of the loss certification but  
7 it never went into sufficient detail and it didn't have  
8 things like the accrued interest broken out that we could  
9 tell.

10 Q Now, do you know, Mr. Trumpp, one way or another  
11 whether servicers typically maintain this information in  
12 their systems?

13 A Yes, this is typical loan accounting information that  
14 the servicers would have. And another example of a use for  
15 this particular source of information was when servicers  
16 were filing claims with mortgage insurers, it was common for  
17 them to have to also provide a copy of the law certification  
18 to the mortgage insurer so they could assess the damages and  
19 make their claims. So it was a common document that most  
20 servicers would have.

21 Q And if they didn't have this particular document in the  
22 file, is it something that a servicer could create?

23 A They should have sufficient information to recreate it  
24 in a different format. And, again, we weren't looking for  
25 that particular format; it just needed to be able to show us

1 the accounting.

2 Q And what's your understanding with respect to whether  
3 loss certifications were required under the protocol?

4 A So, loss certifications are different. They're not  
5 part of Exhibit B in the protocol. But the protocol does  
6 require a calculation of the purchase price and all  
7 supporting information. And I think the loss certification  
8 in my mind is the perfect example of what would be required  
9 in that instance.

10 Q Let's talk about corporate expense logs. Can you  
11 describe what corporate expense logs are?

12 A So, corporate expense logs were a log of the various  
13 fees and costs associated with the servicing of that  
14 particular loan and especially the default process. It  
15 recorded costs for attorneys' fees, it recorded costs for  
16 property preservation fees, it recorded the actual expenses  
17 associated with servicing the loan.

18 And, again, this was important as from an audit  
19 perspective, but also from an assessment perspective whether  
20 that loss amount was attributable to the loan or negligent  
21 servicing.

22 Q Okay. Now, if you already had the loss certifications  
23 and some math there, why did you need the additional math in  
24 the corporate expense logs?

25 A Because the corporate expense logs went into even more

1 detail than the loss certification, and it showed not just  
2 the amounts and what but it told us when the costs were  
3 incurred. And, again, when we were looking at costs  
4 incurred in a default timeline perspective, because we're  
5 looking at were these losses attributable to the loan itself  
6 or where they attributable to the servicer, looking at the  
7 dates that the losses were incurred was important.

8 So, in my example earlier, if it took the servicer  
9 five years to foreclose on a property that should have taken  
10 one year, there was additional costs that were incurred  
11 outside of that time frame -- were things that we were  
12 looking for to see whether that was fair for them to pin us  
13 with that particular portion of the damage.

14 Q Okay. I'd like to put up a loss certification and a  
15 corporate expense log for the same loan side by side and  
16 have you explain to the Court what you mean when you say  
17 there's additional detail in the corporate expense log. If  
18 you look at -- I'm going to highlight the top two rows that  
19 say Attorneys' Fees and Acquisition Costs on the Loss  
20 Certification.

21 A Yeah, so...you'll see here the foreclosure attorney  
22 fees in total were \$315 and the acquisition costs from the  
23 foreclosure counsel was \$1,375.02 in total.

24 Q Okay. Let's go to the corporate expense log.

25 A And so you'll see the column right in the middle of the

1 page where it says Attorneys' Fees and Costs, it sums to a  
2 total of \$1,690.02, which is also broken out by the \$315 in  
3 attorneys' fees and 1372. So as I talked about, we looked  
4 at this too assess when were the charges incurred? So we've  
5 got various dates in there.

6 Q And why was that -- why was that relevant?

7 A We just wanted to know were these costs, A, appropriate  
8 from a level perspective, right? Were the dollar amounts  
9 fair given generally accepted servicing practices? But,  
10 two, were the times in which those things were incurred fair  
11 relative to the servicer's timelines?

12 Q And what part of the analysis does the loss  
13 certification and the corporate expense log inform?

14 A The damages.

15 Q Couldn't you just review them for breach in AMA?

16 A So, one of the things that we wanted to really focus in  
17 on when we were establishing this process -- again, I had no  
18 idea they were going to make 200,000 claims. We knew there  
19 was going to be a significant number of claims. We were  
20 looking to make sure that we had the appropriate process for  
21 reviewing these loans and we wanted to make sure that we  
22 were doing it in an efficient way, and we wanted to make  
23 sure that we were able to meet the timelines as dictated in  
24 the protocol, and we were minimizing costs where possible.  
25 We weren't, you know, wasting money in the process.

1           And so I wanted to make sure that that was  
2           efficient. So, it wouldn't be efficient if I reviewed the  
3           loan and got to the point of damages and had to stop, and  
4           then go back to the Trustees and say, "Hey, can you get this  
5           particular piece of information?" So, it just would've been  
6           very, very difficult to implement from an operational  
7           perspective a sudden start and sudden stop for reviews of  
8           loans that Recovco would have to touch multiple times,  
9           potentially RBF would have to touch multiple times, and  
10          ultimately the plan administrator would have to touch  
11          multiple times. That wasn't something that we wanted to do,  
12          and so we put it on hold upfront.

13                 And the expectation was that the Trustees would  
14           just go get this information and provide it to us and we'd  
15           take the loan off hold. It was not intended to be a "We're  
16           not going to review this loan." It was not intended to be a  
17           defense but we wanted to make sure that we had sufficient  
18           information to adequately do that holistic review that we  
19           were talking about in an efficient manner.

20         Q     I'm going to show you Exhibit Number PA543. By the  
21           way, were there times where you had them on hold and then  
22           the Trustees came back and gave you the information you  
23           needed, and then you put them into the review queue?

24         A     Yes.

25         Q     Okay. I'd like to show you PA543. Can you describe

1 for the Court what that document is?

2 A So, this is a letter from Willkie Farr & Gallagher to  
3 Trustees' counsel that was explaining our basis for putting  
4 the loans on hold. And as I mentioned, the first batch of  
5 claims that came to us was in March of 2015 and then right  
6 away in April of 2015, we submitted letters such as this to  
7 say, "Hey, we're going to put these loans on hold." And we  
8 identified in our letters all of the documents that were  
9 missing some documentation that we would say, "Hey, you know  
10 what? Just so you guys know, Trustees, this is missing X,  
11 Y, and Z but we're still going to review the loan."

12 Or if it was missing one of those four documents,  
13 we would say, "Hey, Trustees, this is missing one of these  
14 four documents. Here's the document we think is missing,  
15 and we're going to place this loan on hold until you're able  
16 to give us that information."

17 Q And in Paragraph Number 2, towards the bottom of the  
18 page, you define -- and it goes on into the next page -- you  
19 define what those critical documents are, right?

20 A That's correct.

21 Q And now I'd like to look at Exhibit Number 544. What  
22 is this document?

23 A This is an example of an email between myself and Alan  
24 Pfeifer, where we were discussing, again, early on in April  
25 of 2015 our bases for putting these particular loans on hold

1 and what we needed in order to take the loans off hold and  
2 put them through the review process.

3 Q I'm going to scroll up to the top email where you're  
4 responding -- or I guess the second email where you're  
5 responding to Mr. Pfeifer. Can you read the sentence that  
6 is at the very end of that -- I guess the second to last  
7 sentence in that paragraph?

8 A "If the Trustees are able to obtain any of the four  
9 critical items that are missing from each loan, the hold  
10 will be lifted and we will put the loan through our review  
11 process. If the Trustees are able to provide any of the  
12 noncritical, we'd appreciate that as well."

13 And so let me just elaborate on that a little bit.  
14 So, in Exhibit B there were 41 documents and we thought it  
15 would be too onerous on the Trustees and the process to say,  
16 "You have to provide all 41 documents, no ifs, ands, or  
17 buts." But we did hold the line at four of the documents,  
18 and we said, "You know, we're not going to talk to you about  
19 the 37 other documents but these four we really need. And  
20 so for the noncritical documents, for those other documents,  
21 the 37 other documents, it may not necessarily be in the  
22 file but we're going to go ahead with it anyway." Versus  
23 these four documents where we said, "Hey, guys, these are  
24 critical. Please get this for us."

25 Q Did the Trustees at any point during the protocol

1 approach you and ask you whether you'd be willing to join  
2 them and make a request to the Court to change any of this?

3 A No.

4 Q Did you put any of the Aurora loan files on hold?

5 A We did not.

6 Q Did all of the Aurora loan files contain the four  
7 critical documents?

8 A I don't know. But the key thing was there, if they  
9 were missing one of those four critical documents, it was  
10 real easy for Recovco or RBF to contact us or the plan  
11 administrator to get that additional information. So, we  
12 had access to the documents and just thought that would  
13 again be too onerous to put loans from our own servicer on  
14 hold for that. And so, where necessary, we went directly to  
15 Aurora to get the loans -- the documents to complete our  
16 review.

17 Q I'd like to move on to Step 2 of the protocol process  
18 where the plan administrator performed its review. What did  
19 you do to get everything in place for Step 2?

20 A So, you know, we collaboratively negotiated the  
21 protocol order itself so we kind of had an idea of what was  
22 coming. But from an operational perspective, it's kind of  
23 like getting ready for the tidal wave that you know is  
24 coming. And so we spent a significant amount of time as  
25 parties between the plan administrator, Recovco, and RBF

1 determining operationally and procedurally how best to  
2 handle the influx of claims that were coming; but also, how  
3 to review the evidence that we anticipated coming, what  
4 evidence would be interpreted which way, how those claims  
5 were to be assessed, how we looked at things. And so our  
6 philosophy of the review was established upfront, and so  
7 that was all in preparation of getting ready for the  
8 onslaught of claims that started coming in March of 2015.

9 So, we actually had a little bit of additional  
10 time from the time that the loan was -- the order was put in  
11 in 2014 to 2015 to really get everything in place and get  
12 ready for that.

13 Q And who performed the actual loan reviews?

14 A It was a combination of Recovco and RBF.

15 Q And do you believe that you brought the necessarily  
16 disciplines to the table in bringing those teams to the  
17 review process?

18 A Yeah, so I knew based upon our experience and my  
19 experience that we were going to need somebody to do a re-  
20 underwriting review assessment of the claims in relation to  
21 the loan files; but I also knew from all my downstream work  
22 that, you know, counsel's going to need to be involved to  
23 assess those claims and defects relative to the agreements.  
24 You know, we're talking about legal claims being made under  
25 contracts for breach of contract. It was entirely

1 reasonable to have counsel brought in.

2 And so I made sure that we had the appropriate  
3 elements and experience necessary to do those reviews  
4 upfront and that's why we had both counsel and Recovco  
5 reviewing loans in the process.

6 Q Did the plan administrator bring its own experience to  
7 the review table for the Step 2 loan review?

8 A Absolutely. So, the plan administrator had on their  
9 team people who were experienced in downstream claims  
10 litigation as well as underwriting experience. So we had  
11 members of my team who were former underwriters at Aurora  
12 that were there to allow us to assess claims relative to the  
13 original underwriting guidelines.

14 Q Show Slide 19, please. Mr. Trumpp, can you explain --  
15 and I know you just did in a brief way, but can you just  
16 sort of give the Court a description of the three parts of  
17 this experience that you just described?

18 A Yeah. So, I mentioned that there are multiple parties  
19 in the review process, and from my perspective that makes  
20 sense because each party brought something new and different  
21 to the table. And that what they brought was critical to  
22 our review of the loan files. And so Recovco was a renowned  
23 loan review firm that had done several major large-scale  
24 reviews for several big banks, so we brought their  
25 repurchase review and underwriting experience to the table.

1 RBS was counsel that had done significant work in  
2 our downstream claims process looking at loans and breaches  
3 of representations and warranties, and the evidence  
4 necessary to pursue those claims. So we brought them to the  
5 table. And we brought my team's business knowledge and  
6 experience to the table. And that's why we felt like we had  
7 a well-rounded group of people ready for Step 2 of the  
8 protocols.

9 Q What was your goal for Step 2?

10 A I really had two goals for Step 2: One was to  
11 operationally be able to handle it and make sure that we met  
12 the requirements of the protocol. If we didn't meet the  
13 requirements of the protocol and met the right timeline to  
14 the protocol, those claims were going to be deemed approved.  
15 So, I wanted to make sure that we had everything ready to go  
16 from an operational perspective.

17 But, most importantly, I just wanted to make sure  
18 that we got it right. I wanted to make sure that in a  
19 multi-billion dollar claim being made against the estate,  
20 the estate was reviewing and assessing the claims properly.

21 Q How did you assure yourself that your goals and  
22 expectations were being met for Step 2?

23 A Through the constant dialogue, and follow-up, and  
24 management of the operation through Step 2 I felt  
25 comfortable that we were meeting the operational milestones

1 that we put in place and the types of claims and responses  
2 that we were making were fair and reasonable.

3 Q I'd like to get a sense of the plan administrator's  
4 approach to the actual loan review when you're actually  
5 looking at a claim. Earlier, you testified about the  
6 components. You first look at breach and then you assess  
7 AMA, and if both components are there, you determine it's a  
8 pass. And I want to focus on the breach part of the  
9 equation.

10 When the plan administrator is reviewing a  
11 particular claim to determine if there's a valid breach, how  
12 does the plan administrator approach that analysis?

13 A So, there's a couple of different components even  
14 within the rep and warranty breach. And so the first  
15 component really was looking at the claim as asserted by the  
16 Trustees and weighing the evidence available in the claims  
17 package and the loan file.

18 As I talked about, in my loss management days we  
19 had to assess was there sufficient evidence for the defect  
20 in the first place? And so we call that assessing the  
21 threshold facts. Just is there enough evidence as put forth  
22 by the Trustees to support the claim they're making? And  
23 so, that was what we called assessing the threshold facts.

24 Q And you said -- you used the word defect. What do you  
25 mean by defect?

1 A The thing that's supposedly wrong with the loan. The  
2 fact that the borrower lied about their income, the fact  
3 that there was a regulatory violation. That is the alleged  
4 defect.

5 Q Okay. And when you're determining whether that fact is  
6 established, what do you do? What do you look at?

7 A We look at the information it provided in the claim  
8 package, we look at the information it provided in the loan  
9 file, and then we used Recovco and they looked at additional  
10 third party sources and documentation to assess is there  
11 sufficient evidence to show and agree in our minds that the  
12 threshold facts were proven? Yes, the borrower lied about  
13 their income. Yes, there was a regulatory violation on that  
14 particular loan. Those types of things. And so it first  
15 had to be assessed at the threshold fact level.

16 Q And you said you weighed the evidence. What do you  
17 mean by "weigh the evidence"?

18 A Well, so based upon our review process, we treated each  
19 piece of evidence as asserted by the Trustees with the  
20 weight it deserved. And what I mean by that is we looked at  
21 it in relation to the other information available in the  
22 loan file. Were there other things maybe in the servicing  
23 record or other things in the loan file that tended to  
24 support the allegation of the claim and the evidence as  
25 asserted by the Trustees? Or were there additional things

1 in the loan file that contradicted the information in  
2 evidence as put forth by the Trustees?

3 And sometimes a piece of evidence was shown to be  
4 in line with other information in the loan file and, hence,  
5 it was ultimately raised up and passed the threshold fact  
6 level, or sometimes there was contradictory evidence and you  
7 didn't necessarily know which piece of information was  
8 correct. Right? Do I take into account and weigh the  
9 evidence that the Trustees are asserting now in 2015? How  
10 do I weigh that against what the loan officer and the  
11 borrower talked about and put down on their application in  
12 2006? Right?

13 The only person in this transaction that I've seen  
14 who's actually talked to the borrower is the loan officer or  
15 potentially maybe the servicer and what they reported in  
16 their notes. So, we really had to make an assessment on  
17 each individual claim, was the evidence there and was it  
18 sufficient and reliable to pass at the threshold facts  
19 level?

20 Q Were there any evidence types that were automatically  
21 deemed sufficient to prove a particular claim?

22 A Absolutely not. So, it depended upon the facts and  
23 circumstances on the loan file to determine whether that  
24 loan and claim passed at the threshold facts level.

25 Sometimes that could be a W2 or a tax return. Sometimes it

1 wasn't. You couldn't necessarily say, given the unique  
2 nature of each one of these claims and loans, that one piece  
3 of evidence trumped all others. And so you had to weigh the  
4 evidence at the claim level and assess the threshold facts.

5 So, there were no bright line rules in this  
6 process; it truly was an assessment, and why it was so  
7 critical that we had the appropriate expertise on our staff  
8 and our team to weigh that evidence and to make those calls.

9 THE COURT: So, can I ask a question? So there  
10 literally were no bright line rules? For example, the  
11 borrower -- to your point that, you know, ten years out or  
12 however many years out, you can't replay the conversation  
13 that took place at the time of origination between the  
14 borrower and the loan officer. So you have to look to other  
15 sources, right?

16 So, if the loan application reflects that somebody  
17 makes a quarter of a million dollars a year -- I'm giving,  
18 obviously, a very extreme example -- and the W2, and for  
19 good measure let's throw in a tax return two years later  
20 show \$25,000, that wouldn't make it out of the starting  
21 gate?

22 MR. TRUMPP: In that example it very well could  
23 make it out of the starting gate.

24 THE COURT: But there were literally no bright  
25 lines -- there were no -- every single one was looked at on

1 its own?

2 MR. TRUMPP: Correct.

3 THE COURT: Okay.

4 MR. TRUMPP: When we say -- and I know it's  
5 probably a little corny, but when we say each loan is a  
6 snowflake, we're not kidding.

7 THE COURT: Okay. Thank you. Go ahead.

8 Q I want to ask whether the inverse is true. Are there  
9 certain evidence types that were automatically rejected by  
10 the Trustees?

11 A No. There were -- rejected by the plan administrator?  
12 Sorry.

13 Q I'm sorry?

14 A You said the Trustees in that last question.

15 Q I'm sorry. Thank you. Yeah. And I've only been going  
16 for a couple hours. Yes, any evidence types -- just for the  
17 record, any evidence types that were automatically rejected  
18 by the plan administrator?

19 A No.

20 Q Now, you mentioned that there were times where the plan  
21 administrator might come across evidence in the file that  
22 potentially contradicted what the Trustees were asserting.  
23 If the plan administrator did come across a contradictory  
24 piece of evidence, would it stop its review right then and  
25 there and reject the claim file?

1 A No.

2 Q Or the claim?

3 A No. We would continue on in the review. And we  
4 wouldn't complete a review until we've looked at all of the  
5 information in the claim file and the loan file to look at  
6 all potential documents, which would show all available  
7 facts and circumstances for a particular loan. Because we  
8 wanted to make sure at the end of the day, if we had  
9 competing evidence, we appropriately waived that competing  
10 evidence. We just didn't say there was competing evidence,  
11 therefore it's a fail. Right? There could be competing  
12 evidence that ultimately was determined and weighed as a  
13 pass. It just depended upon the facts and circumstances.

14 Q Did that happen? Did you find instances where you came  
15 across a piece of evidence, it supported the Trustees'  
16 claim, but the Trustees didn't cite it and you then passed  
17 the loan based on what the plan administrator found?

18 A Absolutely. And so when I talk about our role as  
19 trying to assess the loan file and all of its merits on  
20 behalf of all of our creditors, you know, in my loss  
21 management or Aurora days, I wouldn't have brought that up.  
22 I would've just said, "Here's my case and I'm making it."  
23 Right? So we would look at all facts and circumstances.  
24 And even if I found additional evidence in the loan file  
25 that tended to support clear allegation that they didn't

1 cite too in their claim package, we would take that into  
2 account.

3 Q And were there times where you passed a loan on that  
4 basis?

5 A Yes, absolutely.

6 Q Is the threshold facts component that you just  
7 described the only part of the breach analysis?

8 A No. So, there's another component there. You may have  
9 threshold facts that support a defect but it may not be  
10 covered by a representation and warranty. And this is,  
11 again, a laborious process here when we're talking about  
12 numerous securitizations and numerous different MLSEAs, and  
13 numerous representations and warranties.

14 And so we had to look at the threshold facts and  
15 assuming that those threshold facts were met, we had to  
16 assume -- we didn't have to assume -- we had to look to see  
17 is that defect covered by a breach of a representation and  
18 warranty? So, the Trustees told us in their claims tracking  
19 spreadsheet "Here's the rep that we're looking to", but we  
20 wanted to make sure that that was the right rep, and we  
21 wanted to make sure that that was from the right  
22 securitization agreement.

23 So, we also then had to assess was that threshold  
24 facts applied to right breach of a representation and  
25 warranty? And then even within each representation and

1 warranty you had to look at the language of the  
2 representation and warranty and make determinations on what  
3 that representation and warranty meant. Did it have a  
4 materiality qualifier? Did it have a seller knowledge  
5 qualifier? Did it have other parameters within the  
6 representation and warranty that you had to assess relative  
7 to the threshold facts?

8 So, this was very involved process where we were  
9 going through and making assessments, and weighing evidence,  
10 and applying contracts.

11 Q Let's talk about some of the qualifiers you just  
12 mentioned starting with seller's knowledge. What's your  
13 understanding of the seller's knowledge qualifier?

14 A So, again, I'm not an attorney and I don't want to  
15 imply that I'm the ultimate resource for determining these.  
16 But based on my experience in downstream litigation, when we  
17 saw that qualifier it meant you had to show proof that the  
18 particular seller had knowledge of the fraud or of the thing  
19 that was being alleged. And that's not something that we  
20 saw here in the protocol where the Trustees were showing  
21 that Lehman knew something when they made their  
22 representations and warranties.

23 So, from my perspective, that would've been a  
24 really hard hurdle to get over, given the fact that they  
25 didn't show any proof.

1 Q And did the -- I think this is implied in the testimony  
2 you just gave but just to be clear, did the plan  
3 administrator apply that seller's knowledge qualifier during  
4 the protocol as it relates to the no fraud rep?

5 A We did. As I mentioned, we looked for actual proof in  
6 the loan file or assertions from the Trustees that the  
7 seller, LBHI, knew of the defect and breach at the time and  
8 we didn't see it.

9 Q Did the Trustees agree during the protocol that there  
10 was a seller's knowledge qualifier?

11 A They agreed there was a seller's knowledge qualifier;  
12 the interpretation of that they didn't agree with.

13 Q And if the plan administrator is wrong about its  
14 interpretation of the seller's knowledge qualifier, what  
15 impact would that have on the outcome of the protocol?

16 A So, if we're wrong on that, it would actually have a  
17 fairly minimal impact on the overall protocol for two  
18 reasons: One, most of the claims in the process were  
19 rejected at the threshold facts level, not at the  
20 application of the rep and warranty factor level, and not at  
21 the AMA level. So the vast majority of claims made by the  
22 Trustees were rejected at the threshold fact level. And so  
23 they never got to the application of the representation and  
24 warranties portion.

25 And, similarly, every time the Trustees made an

1 allegation of a breach of a representation and warranty that  
2 contained that seller knowledge qualifier they also cited  
3 the no default rep. So it was -- there were two reps  
4 essentially for each time they cited that.

5 Q Okay. You also mentioned when you were speaking of  
6 qualifiers that came up in the application of representation  
7 and warranty phase of the breach analysis -- you mentioned  
8 the term materiality qualifier. What did you mean by that?

9 A So, the no event of default rep specifically has  
10 language that says material -- the information had to be  
11 material to the underwriting decision. So, there's a  
12 materiality qualifier. And, hence, why it was really  
13 important in the review process to look at the defects cited  
14 and the potential change in certain characteristics of the  
15 loans assuming that the breach occurred to assess would that  
16 loan still have been originated under the original  
17 underwriting guidelines? And so we use that as a guide for  
18 assessing materiality.

19 Q Okay. And when you say the plan administrator assessed  
20 materiality, in the protocol did that come at the breach  
21 phase or the AMA phase?

22 A So that use of the term materiality was at the breach  
23 phase because it was embedded in the actual representations  
24 and warranties of the various contracts. That's separate  
25 than the AMA analysis and separate from the material and

1 adverse assessment there. So, when I'm talking about  
2 materiality of the defect, it's with respect to the breach  
3 assessment.

4 Q Okay. And what do you mean by materiality of the  
5 defect? What is a material defect versus a nonmaterial  
6 defect?

7 A So -- and again, this is why it was so important in my  
8 mind to assess the alleged defects relative to the original  
9 underwriting guidelines. Say, for example, the Trustees'  
10 alleged that the borrower lied about their income and their  
11 debts income ratio was originally 25 percent, and that based  
12 upon their new income, assuming the breach was accurate, it  
13 was 42 percent. So, it went up significantly.

14 I would want to know, under the original  
15 underwriting guidelines, assuming they're correct and had we  
16 known, would that loan still have been underwritten? And if  
17 the new parameters are still within the original  
18 underwriting guidelines, that in my mind isn't material.

19 So, I would be looking in my materiality  
20 assessment, what does the alleged defect, assuming it is  
21 true, mean in relation to the original underwriting process?

22 Q Now, once the plan administrator is done with that  
23 portion of the analysis, has analyzed whether there are  
24 sufficient threshold facts, and whether those facts give  
25 rise to an applicable representation of the warranty? What

1 does the plan administrator do next as part of his analysis?

2 A So, the next step in our analysis was then to look at  
3 AMA. And so, we were looking for additional information in  
4 the loan file, or elsewhere that was available, to assess  
5 whether that breach had a material and adverse effect on the  
6 value of the loan. So, we wanted to look at information  
7 specifically in the servicing file to see were there  
8 instances or inferences that we could make to show that  
9 relationship between the breach and -- well, the ultimate  
10 default or loss on the loan.

11 And so, we didn't really have anything to go on,  
12 from what the Trustees told us, and so it was up to us then  
13 to make our own assessments at the AMA level to determine,  
14 in our assessment, was there an adverse and material effect  
15 on the value of the loan that was the result of that breach.

16 Q And to be clear, when you say adverse and material  
17 effect, that's different from the materiality description  
18 you gave at the breach level?

19 A Correct. There's materiality used twice, but at two  
20 separate instances.

21 Q And did the plan administrator analyze those  
22 (indiscernible)?

23 A They did.

24 Q Who performed that part of the analysis, the AMA  
25 analysis for the loans in Recovco?

1 A So, the way we designed our process was that Recovco  
2 would do the initial review of the loan and they would do an  
3 assessment at the threshold facts level, which was right in  
4 their wheelhouse, to determine, you know, does the  
5 information and evidence, you know, show that there was a  
6 defect on the loan. And so, they were empowered to reject  
7 claims at that level, assuming that wasn't the case.

8 If there was reason based upon the Recovco review  
9 to weigh evidence, that would be more complex. Or if you  
10 applied the representations of the warranties or to do that  
11 potential AMA assessment, then it got referred, post-Recovco  
12 review, to RBF. And this again, in my mind, made perfect  
13 sense then because I'm interpreting the application of the  
14 representations and the warranties, and making that adverse  
15 and material effect assessment to have counsel involved at  
16 that point in time.

17 And so, the loan then transferred, assuming that  
18 it passed at the threshold facts level, for that application  
19 of representations and warranties in AMA over to RBF for  
20 their review. And then they are the ones to answer your  
21 initial question, who performed the AMA review.

22 Q So, the loans that moved on to RBF after receiving the  
23 Recovco review, how many layers -- by the time it got to  
24 RBF, how many layers of review had that loan undergone?

25 A So, numerous. So, Recovco had the frontline review.

1 They had 100 percent quality control review. So, at the  
2 Recovco level, all loans, regardless of what we found, went  
3 through two layers of review. Assuming that it passed to  
4 RBF, then RBF looked at it. So, now we're talking a third  
5 layer of review. And RBF also had a quality control review  
6 process, so there were potentially four different levels of  
7 review of the loans up until the point where it was  
8 determined to be a pass.

9 Q And then each step of the review, what did the review  
10 teams have access to?

11 A All of the documentation available for that particular  
12 loan. So, they had access to the entire loan file. They  
13 had access to the entire claim package. They had access to  
14 the third-party sources that were Recovco pooled. So, they  
15 had access to all available information so we could assess  
16 the complete facts and circumstances of that borrower and  
17 that loan and those claims.

18 Q What about the contracts? Did the teams have access to  
19 the individual agreements at issue?

20 A They did.

21 Q Let's talk about each of the review teams, starting  
22 with Recovco. And I know you've described them at a high  
23 level, but can you give the Court some more detail about who  
24 Recovco is?

25 A So, Recovco is a loan review firm. I've mentioned

1 there's several different shops that do this type of work.  
2 Recovco is well known in the industry. They've done  
3 diligence reviews of loans for several of the major banks.  
4 They've done several large-scale reviews. And importantly,  
5 I had used them in a couple of other reviews for the estate,  
6 and so I was familiar with their operations, their  
7 processes, and the quality of their work. And so, that was  
8 why we chose Recovco, coupled with the fact that based upon  
9 my prior experience in loss management and the difficulty I  
10 was aware of in juggling multiple review firms and trying to  
11 keep that quality consistent, I didn't want that in my  
12 process. So, I really looked for one loan review firm that  
13 had the experience and the ability to handle a review of  
14 this scale.

15 Q And was Recovco able to house their review under one  
16 roof?

17 A Yes. So, they did review every single one of the loans  
18 that were submitted at the documentary process, and they  
19 reviewed every single one of the loans that passed the  
20 documentary process and did a complete loan review on them.

21 Q What was the scope of Recovco's engagement?

22 A The scope of their engagement was to accurately assess  
23 the threshold facts and evidence that was put forth by the  
24 Trustees in their claims to make a determination at that  
25 level. And again, they were allowed to -- or they were

1 empowered to, excuse me, reject claims that didn't meet that  
2 threshold fact level. And then if there were reason to  
3 believe that it potentially passed through the threshold  
4 facts level and rose to the level of needing to apply the  
5 representations and warranties or do an AMA assessment, then  
6 the loan and claim passed over to RBF.

7 Q Who supervised Recovco's work?

8 A So, Recovco was supervised by the plan administrator,  
9 but also, they were overseen by my counsel, RBF, in the  
10 process. And so, it was a dual oversight role. We were  
11 working hand-in-hand, but we were also giving instruction to  
12 Recovco in that process.

13 Q How often did you communicate with Recovco during the  
14 protocol?

15 A So, as I mentioned, I got data daily from Recovco. And  
16 at a minimum, I had formal meetings set up with the key  
17 people at Recovco on a weekly basis and, you know, we had  
18 numerous emails and calls throughout the weeks of the  
19 protocol.

20 Q And who was your point of contact at Recovco?

21 A I dealt primarily with two individuals, Craig Pino and  
22 Dan DeMonte.

23 Q Let's talk about RBF. Whose decision was it to retain  
24 RBF?

25 A It was my decision.

1 Q And why did you retain RBF?

2 A I retained them because I thought they had a crucial  
3 role to play in the process. But also, I retained them  
4 because I knew the quality of their work and their ability  
5 to review loans at the loan level, which I knew was going to  
6 be an important aspect of this process. And I'd worked with  
7 Mike Rollin for over 10 years, and so he and I thought alike  
8 and knew how to approach this.

9 Q And what was the scope of RBF's engagement as it  
10 concerns the loan review protocol?

11 A So, RBF's engagement in the protocol was for the loans  
12 that Recovco wasn't able to reject at the threshold facts  
13 level, they were passed to RBF for their assessment and  
14 review.

15 And I want to make sure that it's clear that they  
16 didn't just apply the representations and warranties and do  
17 an AMA assessment. They started over and looked at the  
18 information Recovco provided and did their own assessment of  
19 the threshold facts and the evidence in the application of  
20 the rep and warranty in the AMA. So, they looked at all of  
21 that information.

22 Q Who supervised RBF's work?

23 A I did.

24 Q How often did you communicate with RBF during the  
25 protocol?

1 A Similarly, on a weekly basis had formal meetings. Had  
2 numerous emails and phone calls throughout the week. I was  
3 in constant dialogue with Mike Rollin and you throughout the  
4 entire process.

5 Q Mr. Trumpp, are you aware that the Trustees have  
6 criticized the plan administrator for hiring lawyers to  
7 review loans and the protocol?

8 A I am.

9 Q And do you have a response to that?

10 A Quite frankly, I don't understand the critical  
11 allegations. It makes perfect sense to me to have counsel  
12 involved in looking at allegations of breaches of  
13 representations and warranties in a multibillion-dollar  
14 case.

15 The application of the reps and warrants is  
16 clearly a role suited for counsel, and the AMA assessment  
17 was also something that I thought was crucial for counsel to  
18 take a look at. So, the fact that I'm critiqued for  
19 including counsel in a multibillion-dollar claim against the  
20 estate surprises me.

21 Q Let's talk briefly about the flow of loans that you've  
22 described at a high level from Recovco to RBF. Who decided  
23 which loans stayed at the Recovco level and which ones went  
24 on for further review to RBF?

25 A So, I talked about the process we had set up at the

1 beginning. We set up certain parameters in certain  
2 processes for determining which claims stayed at Recovco and  
3 were ultimately rejected, versus what was passed through to  
4 RBF. And I was continually monitored and assessed  
5 throughout the protocol process.

6 Q What were those parameters based on?

7 A Based upon the types of claims that we anticipated  
8 receiving, and then based upon the types of claims that we  
9 ultimately received. And again, looking at, with advice and  
10 counsel from Recovco and RBF in the plan administrator's  
11 experience, how best to assess that evidence at the  
12 threshold facts level.

13 Q And what did you do to ensure that loans were properly  
14 moving through the process that you set up?

15 A So, that's where my data and analytics came in. As a  
16 finance background, that's really one of the operational  
17 things I focused in on was looking at this from an  
18 operational perspective. What are the types of claims being  
19 made, what are the results of our reviews looking like, are  
20 the appropriate loans being referred over to RBF, are we  
21 rejecting not enough, are we rejecting too many?

22 It just depended upon that whole process and how I  
23 looked at that. And literally, I got new fresh reports  
24 based upon the data on a daily basis. And we looked at the  
25 process as a whole to make sure we were getting it right.

1 Q Mr. Trumpp, when a loan went through this process and  
2 the plan administrator determined there were threshold facts  
3 evidenced by the events in the file, and that there was an  
4 applicable representation and warranty that was breached,  
5 and there was AMA, and the plan demonstrator designated that  
6 it passed, what would the plan administrator do with those  
7 loans, the passed loans?

8 A So, similar to the Trustees -- they had a process for  
9 submitting claims to us on a rolling basis -- we had a  
10 process for responding back to the Trustees on a rolling  
11 basis. And so, under the timelines submitted and required  
12 under the protocol, we would issue reporting back to the  
13 Trustees. And we had a letter that we would send, we would  
14 have an exhibit that said here's our past loans, and we  
15 would summarize that at the Trustee level and at the loan  
16 level.

17 And then we would also have rejected loans  
18 exhibits. And so, we would have a reporting that said  
19 here's all of the claims that we're rejecting and why. And  
20 so, we also had our formal responses there.

21 But in addition to that, we would also give a loan  
22 file back to the Trustees. And so, as I mentioned, we would  
23 occasionally pull our own third-party information to assess  
24 our claims. And so, we would give that back to the Trustees  
25 with the entire loan file and claim file that they gave us.

1           And one of the things that I didn't mention that  
2       was in our process is -- we're talking tons and tons paper  
3       here, electronically -- but we Bates referenced and cited  
4       every single document that came to us. And we gave that  
5       back to them. And so, we gave them third-party  
6       documentation we used in our review file. We gave them the  
7       loan file back. We gave them the exhibits here that said  
8       here's our basis for approving or rejecting your claim.

9           And then after some initial dialogue in the  
10      process, we started giving the Trustees another exhibit that  
11      listed out for each loan the particular Bates citations that  
12      we thought they should take a look at in relation to their  
13      review of the loan file to see what we're saying in our  
14      formal response and our basis for rejecting the claims. And  
15      so, all of that information went back to the Trustees on a  
16      rolling basis.

17           THE COURT: So, can I just -- just to make sure I  
18      understand this on a simplified hypothetical basis, you  
19      reject a loan and you send back the loan file that's got  
20      documents 1-100, and then you in addition send them 101-110,  
21      and you would cite to examples from 101-110, that illustrate  
22      why, notwithstanding documents 1-100, you are not passing  
23      the loan?

24           MR. TRUMPP: So, we gave them back --

25           THE COURT: You gave them back what they gave you?

1 MR. TRUMPP: Yes.

2 THE COURT: And you gave them back additional  
3 documents that they hadn't given you that you deemed, viewed  
4 as, exculpatory, in other words?

5 MR. TRUMPP: Yes.

6 THE COURT: Or that supported your rejection of  
7 the loan, notwithstanding the documents they had given you?

8 MR. TRUMPP: But let me be clear.

9 THE COURT: Please.

10 MR. TRUMPP: The Bates references --

11 THE COURT: Yes.

12 MR. TRUMPP: -- that I'm talking about in our  
13 exhibit could be from third-party evidence or could also be  
14 from the loan file itself.

15 THE COURT: That the Trustees had given you?

16 MR. TRUMPP: Yes.

17 THE COURT: Okay. Thank you.

18 Q And what you just described, was that for the loans  
19 that were failed?

20 A Yes.

21 Q That were rejected?

22 A Correct.

23 Q Now, you mentioned a formal response associated with  
24 that. What did you mean by that?

25 A So, again, under the protocol order, this was all

1 spelled out, the process by which we needed to respond to  
2 their claims in Step 2. And in the protocol, it outlines a  
3 formal response of 250 words or less per claim. And so,  
4 it's that formal response that I'm referring to. And that  
5 was done at the claim level for each loan that was rejected.

6 MS. DOMINGUEZ-BRASWELL: Can we see Plan  
7 Administrator Exhibit 620, please?

8 Q Mr. Trumpp, is this an example of the letter you  
9 described that went back to the Trustees with the plan  
10 administrator's responses?

11 A It appears to be what -- what document exhibit number  
12 was it?

13 Q It's plan administrator's 620 in your binder.

14 A Yes, it is.

15 Q Okay. And can we -- flip to Exhibit B in this  
16 document, which is just a few pages ahead in your binder,  
17 Mr. Trumpp.

18 MS. DOMINGUEZ-BRASWELL: Can you go to the next  
19 page, please?

20 Q What is this on the screen, attached as Exhibit B to  
21 that letter?

22 A This is an example of the spreadsheet and exhibit that  
23 contained our formal responses at the claim level.

24 Q Okay.

25 MS. DOMINGUEZ-BRASWELL: And if we can scroll to

1 the highlighted Column F, just to put that in the middle.

2 Q Is that what you're referring to as an example of a  
3 formal response?

4 A Yes.

5 Q Okay. Did the Trustees have any reaction to the plan  
6 administrator's formal responses during the protocol?

7 A So, this is the kind of formatting standard that we  
8 gave back to the Trustees early on in the protocol. Alan  
9 and Edmond from Duff & Phelps let me know that they were  
10 seeking additional information and clarification for our  
11 basis for rejecting the claims, in addition to the formal  
12 responses themselves. And so, that was when we decided it  
13 would be helpful to provide the additional exhibit of the  
14 Bates references.

15 So, that isn't something that was necessarily  
16 called for under the protocol, but something that we did in  
17 a manner to help facilitate the review. And again, the  
18 formal responses were something that were required under the  
19 protocol, but it was always anticipated that there would be  
20 additional dialogue in Step 3, and additional information  
21 communicated between the parties on why certain claims were  
22 rejected or going to ultimately be accepted.

23 And so, it was anticipated that additional  
24 information and clarification would be shared in Step 3.  
25 And then there were specific requirements even in Step 4

1 around what would be presented to the mediator around  
2 supporting our basis for rejecting claims. So, this was  
3 just one of the many instances where we were following the  
4 protocol and sharing our basis for rejecting these claims.

5 Q Do you think that Trustees had enough information to  
6 understand the plan administrator's position on each of  
7 these claims?

8 A I do. And the reason for that is, presumably, the  
9 Trustees were intimately aware of the loan file and the  
10 claim from the start. They were the ones who reviewed the  
11 loan and made the claim, so there's that body of work there.

12 And then when we responded back, we gave them our  
13 formal response, the additional third-party documentation in  
14 the loan file, our particular Bates references, and you  
15 should be able to weight the information that you already  
16 knew and assumed from your original review, and have that in  
17 mind and in concert with the information that we were  
18 showing in our formal responses and the information  
19 available in the loan file. So, from my perspective, it  
20 makes perfect sense and there was sufficient information.

21 Q Were the plan administrator's responses, an example of  
22 which you see here, templated in any way?

23 A So, it's really, really, really hard to come up with  
24 templates for the number of types of claims here. But yes,  
25 they started as a template, but then based upon the facts

1 and circumstances of that particular claim, the reviewers  
2 were able to change those templates to tailor the formal  
3 response to the facts and circumstances of that particular  
4 loan.

5 Q Okay. Did the plan administrator list every single  
6 piece of evidence associated with their analysis of the  
7 claim in the formal responses?

8 A We did not.

9 Q Why not?

10 A This was intended to be the formal response that gave  
11 the basis for our rejection of the claim. We gave that  
12 information back, but we didn't necessarily list every  
13 single piece of evidence or every single of -- or every  
14 single defense that we were going to assert on that  
15 particular loan there, because we knew that that potentially  
16 could come up in Step 4 or in Step 5. And so, this was just  
17 really our -- here's our basis for rejecting the claim.  
18 Does that make sense?

19 Q Did the plan administrator list its evidence associated  
20 with its AMA analysis?

21 A No, it didn't. And again, this is really hard to look  
22 at how to respond to an AMA claim for a review that really  
23 wasn't made. So, they didn't allege anything, so it's  
24 really hard to allege something different.

25 But as I had mentioned, this is kind of the start

1 of a dialogue. We said, here, Trustees, are our basis for  
2 rejecting your claims. But ultimately, we talked about  
3 these claims at the loan level in Step 3, and we had loan  
4 level dialogue that was well outside what was found in the  
5 Trustees' original claim assertion or what was in the formal  
6 responses, based upon the facts and circumstances and  
7 information in the loan file.

8 Q When the plan administrator was reviewing the Trustees'  
9 claims and preparing its formal responses, with trying to  
10 disprove each of the Trustees' claims?

11 A So, again, our mindset wasn't to come up with every  
12 possible defense or look for ways to prove it. We were  
13 really trying to assess have they proven it. We weren't  
14 looking to reject claims. We were trying to assess claims  
15 and pass where necessary.

16 Q So, you've just described the fails, and I want to  
17 switch gears and talk about the passes. Can you look at  
18 Plan Administrator Exhibit 625, please?

19 MS. DOMINGUEZ-BRASWELL: And actually, if you  
20 could zoom on it and go to the second page, top of the  
21 second page?

22 Q Mr. Trumpp, do you see where it says, approved claim  
23 files --

24 A I do.

25 Q -- at the top of that letter? What does that mean?

1 A So, there were parameters outlined in the protocol for  
2 how we were required to respond to the Trustees on passes.  
3 And the nomenclature in the protocol is to call it an  
4 approved claim file. And so, that's what that's referring  
5 to.

6 Q So, when you say passes and when you say approved claim  
7 file, are those interchangeable?

8 A Yes.

9 Q And it references, you see in this letter, Exhibit A.  
10 Do you see that?

11 A I do.

12 Q Let's take a look at Exhibit A. What is Exhibit A?

13 A Exhibit A is an example of our approved claims report.  
14 And there's two tabs in there. One is a summary tab that  
15 just talks about the approvals at a Trustee level. So, in  
16 this particular instance, there were 24 loans, three from  
17 Law Debenture as Trustee, and 21 from U.S. Bank NA as  
18 Trustee, where we approve the claims and we walk through the  
19 columns. There's the asserted purchase price by the  
20 claimants.

21 Now, as I mentioned before, we did our own review  
22 of the damages and assessments, and we came up with what we  
23 believed to be the debtor's purchase price, taking into  
24 account any necessary adjustments. And then we broke that  
25 out by who the asserted debtor was, because again, there

1 were in theory going to be claims asserted against LBHI and  
2 SASCO. And so, this was our reporting at a summary level on  
3 those passes.

4 And then the second tab is the low-level reporting  
5 around those passes that showed roughly the same  
6 information, but at the loan level, not the Trustee level.

7 Q Okay. And could we go back to the summary tab for a  
8 moment?

9 A Yes.

10 Q Focusing on Column E, where it says, debtor's adjusted  
11 purchase price, what do those figures reflect?

12 A So, those figures reflect any potential changes based  
13 upon our damage review. But it also shows the particular  
14 caveats that are noted in Superscript 1s and 2s in the  
15 footnotes down below. But it also was intended to show the  
16 starting point of our damages, subject to any potential  
17 legal defenses or offset that we would have at any later  
18 date.

19 Q Was there anything else that that was subject to?

20 A It was subject to final internal Lehman approval, and  
21 ultimately Court approval.

22 THE COURT: Are we getting close to a stopping  
23 point?

24 MS. DOMINGUEZ-BRASWELL: Sure.

25 MR. BRASWELL: Okay. While you have this up on

1 the screen, though, I want to talk about this. What I'm  
2 seeing on the screen is not in the witness binder, correct?

3 MS. DOMINGUEZ-BRASWELL: It is in the witness  
4 binder. So, if you're seeing a document that has a plan  
5 administrator exhibit number on it, it's in the witness  
6 binder.

7 THE COURT: Can you tell me where this is in the  
8 witness binder?

9 MS. DOMINGUEZ-BRASWELL: Sure, this is 625. It's  
10 the letter we just saw. And then a few pages over is  
11 Exhibit A to the letter.

12 THE COURT: Let me ask the question a different  
13 way. You're taking me on a tour of a native file, right?

14 MR. TRUMPP: Correct.

15 THE COURT: This is a native file --

16 MS. DOMINGUEZ-BRASWELL: Yes.

17 THE COURT: -- that's up on the screen?

18 MS. DOMINGUEZ-BRASWELL: And then you have in the  
19 binder is -- yeah, that's right.

20 THE COURT: Okay. All I'm trying to do is make a  
21 record. So, if everything that's on the screen in native  
22 form is somehow in this binder, that's good, but the record  
23 needs to reflect that. If you're showing me a screenshot of  
24 a native document that's not in this binder, it doesn't make  
25 a good record because the record doesn't navigate around the

1 native file.

2 So typically, if you're going to put up a native  
3 file and it's not in the binder I'd like to see a  
4 demonstrative so that the record reflects the screengrab of  
5 what you're showing me. Does everyone understand what I'm  
6 talking about? I don't think so.

7 MS. DOMINGUEZ-BRASWELL: Well, you want us --  
8 basically, you want the screen to look likes what in your  
9 binder.

10 THE COURT: No, okay.

11 MS. DOMINGUEZ-BRASWELL: Okay.

12 THE COURT: So, if you're going to be working from  
13 native files, which I think you are, okay, then if you're  
14 going to put something up, it helps to have a demonstrative  
15 so that I have a record, right? You could call it DX-  
16 whatever, or PA-DX, or TR-DX, so that the record has the  
17 portion of the native file that I'm looking at. Otherwise,  
18 it's up there and it's not saved for posterity, what I'm  
19 looking at.

20 MS. DOMINGUEZ-BRASWELL: Okay.

21 THE COURT: If I'm not saying this clearly, if  
22 anyone understands what I'm talking about -- let me try it  
23 one more time.

24 You put a native file up. You drive around the  
25 file and take me to a spot, and we park at that spot in the

1 native file. And what's on the screen at that parking spot  
2 is not in this binder somewhere. That's gone forever. It's  
3 not -- what I'm looking at is not saved for the purposes of  
4 the record.

5 So, if what I'm looking at is in this binder,  
6 great, all good. You just need to tie what's on the screen  
7 at the moment you're telling me to look at it with what's in  
8 the binder. If it's not in the binder, that's a problem for  
9 the record. I'll look at it, but then it's gone.

10 MS. DOMINGUEZ-BRASWELL: Okay.

11 THE COURT: Okay.

12 MS. DOMINGUEZ-BRASWELL: So, this is in the  
13 binder. Are you okay with this format, or do you want --

14 THE COURT: No, I'm fine -- Mr. Consenza?

15 MR. COSENZA: And I think just for purposes going  
16 forward, Your Honor, I think it just would've been clearer,  
17 because I was (indiscernible) to the document, just to be a  
18 clear articulation as we're examining witnesses and crossing  
19 witnesses, to go exactly to the exhibit number, the tab and  
20 the column they're identifying so that there's a direct tie  
21 in the record --

22 THE COURT: That -- yeah.

23 MR. COSENZA: -- to what's in the binder.

24 THE COURT: That --

25 MR. COSENZA: And if there's not, there's some

1 confusion --

2 THE COURT: That's what I mean --

3 MR. COSENZA: -- as to whether there's a new  
4 document.

5 THE COURT: -- because I can't -- you know, as you  
6 were doing this I couldn't be sure that this was just not a  
7 momentary snapshot --

8 MR. COSENZA: Yep.

9 THE COURT: -- of a native file that wasn't  
10 otherwise identified.

11 MR. COSENZA: That's --

12 MS. DOMINGUEZ-BRASWELL: I'll do a better job of  
13 moving and making sure that I'm tying what's on the screen  
14 to what's in your binder so you know exactly where you are.

15 THE COURT: That's absolutely perfect.

16 MS. DOMINGUEZ-BRASWELL: My apologies.

17 THE COURT: Okay. No worries.

18 MS. DOMINGUEZ-BRASWELL: Okay.

19 THE COURT: So, I think we'll leave it there.

20 It's 1:00. Do you want a full hour for lunch? I don't know  
21 if that's something you had discussed?

22 MR. SHUSTER: That makes sense.

23 MR. COSENZA: We can agree with that.

24 THE COURT: Is that okay? You can agree with  
25 that?

1 MR. COSENZA: Yes, thank you.

2 THE COURT: Excellent. All right.

3 MR. SHUSTER: Thank you.

4 THE COURT: Well, we'll call it 58 minutes and  
5 come back at 2:00. Mr. Trump, unfortunately, same rules  
6 apply.

7 (Recess)

8 THE COURT: Please, have a seat. So, back to my  
9 topic about native files and demonstratives, because it's so  
10 -- it's still not clear, okay? Let me explain my -- hello,  
11 Mr. Trump. Thank you.

12 MR. TRUMP: Hello.

13 THE COURT: So, if you look at PA-625, after your  
14 explanation, I remain confused. Okay?

15 MS. DOMINGUEZ-BRASWELL: Okay.

16 THE COURT: The document that's behind PA-625 is  
17 not in the exact form of the letter that was sent. The  
18 letter that was sent -- I'm asking -- was a letter with a  
19 thumb-drive, with thumb drives, right?

20 MS. DOMINGUEZ-BRASWELL: Right.

21 THE COURT: Okay. What I had thought you were  
22 telling me was in the actual letter, there were these pages  
23 that were -- I'm calling a demonstrative, that's a  
24 screengrab. That's not true.

25 MS. DOMINGUEZ-BRASWELL: Right. They were on

1 drives. I don't know if they were thumb drives or hard  
2 drives.

3 THE COURT: Right.

4 MS. DOMINGUEZ-BRASWELL: But okay.

5 THE COURT: Okay. So, the problem is that this --  
6 presenting this letter as this letter is not the letter.

7 You send the letter. Wilkie sent a letter --

8 MS. DOMINGUEZ-BRASWELL: Mm hmm.

9 THE COURT: -- that had exhibits, and those  
10 exhibits were on thumb drives.

11 MR. SHUSTER: Or FTP --

12 MS. DOMINGUEZ-BRASWELL: Right. Or FTP --

13 MR. SHUSTER: -- or FTP sites.

14 MS. DOMINGUEZ-BRASWELL: Right. FTPs.

15 THE COURT: Right. And this is just a portion?

16 MS. DOMINGUEZ-BRASWELL: Correct.

17 THE COURT: Okay. So, we're still not there yet  
18 in terms of this being presented in a way that I think is  
19 entirely accurate.

20 MS. DOMINGUEZ-BRASWELL: Okay.

21 THE COURT: Okay? So, either these screengrabs,  
22 demonstratives, examples, whatever you want to call them,  
23 should have a notation that say, excerpt, or something --

24 MS. DOMINGUEZ-BRASWELL: Okay.

25 THE COURT: -- like that. Otherwise this appears

1 to be a document that wen sent had this particular page  
2 attached, and it was not. And that fact was lost on me.

3 MS. DOMINGUEZ-BRASWELL: Right.

4 THE COURT: I thought what you were telling was  
5 that, no worries, see the attached, this is the document.

6 MS. DOMINGUEZ-BRASWELL: Understood. Okay.

7 THE COURT: Okay?

8 MS. DOMINGUEZ-BRASWELL: And for the Court's --  
9 these are very, very voluminous.

10 THE COURT: I understand, which is why -- I  
11 understand what a native file is, and I understand why in a  
12 million years, I don't want -- you know, I know how that  
13 works.

14 MS. DOMINGUEZ-BRASWELL: Okay.

15 THE COURT: But, so am I now accurately  
16 describing, saying back to you what is in fact in here?

17 MS. DOMINGUEZ-BRASWELL: Well, let me make sure I  
18 understand that these exhibits --

19 THE COURT: Mm hmm.

20 MS. DOMINGUEZ-BRASWELL: -- hopefully, that will  
21 help inform what we do next.

22 THE COURT: Right.

23 MS. DOMINGUEZ-BRASWELL: So, what you would like  
24 to see is something that notes on the exhibits, if it's an  
25 excerpt, and maybe even how it was sent and where it was

1 sent?

2 THE COURT: Well, right, because the point is that  
3 it's being presented to me as, here are the exhibits to a  
4 letter that was sent to the Trustees, and it's not. The  
5 format of what was sent to the Trustees was the letter with  
6 each of the exhibits that the notation produced in native  
7 format and presumably, Mr. Schuster got a shoebox full of  
8 thumb drives, or someone did.

9 MS. DOMINGUEZ-BRASWELL: Okay.

10 THE COURT: Right?

11 MS. DOMINGUEZ-BRASWELL: But --

12 THE COURT: But you folks -- I mean --

13 MR. SHUSTER: We are. I mean --

14 THE COURT: Okay.

15 MR. SHUSTER: I think we understand the issue --

16 THE COURT: Okay.

17 MR. SHUSTER: And we'll --

18 THE COURT: I'm not trying to make a --

19 MR. SHUSTER: No, no.

20 THE COURT: -- mountain out of a molehill.

21 MR. SHUSTER: No, no, no, no. I hear you on this  
22 and, you know, hopefully we can have a consistent approach  
23 in how we do this.

24 THE COURT: Sure. I mean, if you have a  
25 consistent approach and the record is clear, that's 100

1 percent great, okay? So, I'm sorry for being --

2 MS. DOMINGUEZ-BRASWELL: Oh, everybody --

3 THE COURT: -- slow on the uptake here.

4 MS. DOMINGUEZ-BRASWELL: No, it was --

5 THE COURT: That was a mistake. That was the  
6 disconnect that I was experiencing.

7 MS. DOMINGUEZ-BRASWELL: So --

8 THE COURT: So, for today's purposes, let's just  
9 keep on going. And then, perhaps, would I would suggest is  
10 you could swap back in pages that have, you know, the  
11 appropriate designation.

12 MS. DOMINGUEZ-BRASWELL: Okay. And for today's  
13 purposes, since that designation won't be on these, do you  
14 want me to tell you when this a native file and this is how  
15 we --

16 THE COURT: Just tell me when I'm looking at  
17 something on the screen that I can find in the book --

18 MS. DOMINGUEZ-BRASWELL: Okay.

19 THE COURT: -- that I can put together.

20 MS. DOMINGUEZ-BRASWELL: Okay.

21 THE COURT: Thank you. All right, Mr. Trumpp,  
22 you're still under oath. Okay?

23 CONTINUED DIRECT EXAMINATION OF ZACHARY D. TRUMPP:

24 BY MS. DOMINGUEZ-BRASWELL:

25 Q Mr. Trumpp, I'd like to walk through a loan file with

1 you. And I'd like to walk through it as best as we can from  
2 beginning to end, starting with what the Trustee submitted  
3 on the particular loan file, just the claims tracking  
4 spreadsheets. Can you please turn to Plan Administrator  
5 689? And can you just to orient us, tell us what 689 is?

6 A Yes, 689 is a copy of the claims tracking spreadsheet  
7 for a particular loan that was submitted in a protocol. And  
8 that loan ended in the numbers 8824 for the Lehman loan  
9 number. As we talked about earlier this morning, there's  
10 certain fields in each claims tracking spreadsheet that gave  
11 identifying characteristics about the loan in question and  
12 the various allegations of claims made under the various  
13 loans by the Trustees.

14 Q And for this particular loan and this claims tracking  
15 spreadsheet, how many pages do we need to look at to know  
16 how many claims were made on this loan?

17 A In this format, there are four pages.

18 Q Okay. So, which four pages of this document show us  
19 what claims were made on the loan, and can you tell us what  
20 the first claim made on this loan is? It's starting on Page  
21 2 of the document, of Exhibit 689.

22 A So, looking down the left-hand column to where it says  
23 alleged defect number 1, the first alleged defect for this  
24 particular loan was -- there was a failure to provide the  
25 final HUD 1.

1 Q Okay. And if I refer to that as a missing document  
2 claim, will you know what I'm talking about?

3 A I will.

4 Q Okay. What was the second claim on this loan?

5 A So, continuing on down the page, looking alleged defect  
6 number 2, the second claim on the loan was that the borrower  
7 misrepresented their debt obligations.

8 Q Okay. And what was the third one?

9 A So, going onto the next page, and again scrolling down  
10 on the left-hand side, there was an alleged defect number 3.  
11 And the third alleged claim on this particular loan was for  
12 the fact that the borrower misrepresented their income.

13 Q Okay. And I'd like to walk through each claim, and the  
14 allegations the Trustees made on each claim, and the  
15 evidence that they provided in support of the claim.

16 Starting with the missing document claim, first of  
17 all, just as background, did the Trustees assert all of the  
18 missing document claims in the protocol?

19 A They did. It was one of the largest claim categories  
20 of asserted claims.

21 Q Okay. And this particular claim is based on a missing  
22 HUD-1, or an alleged missing HUD-1, right?

23 A Yes.

24 Q Is that a common claim type in the protocol?

25 A It was one of the types of documents that they asserted

1 was missing from the loan file.

2 Q And what did the plan administrator find as it relates  
3 to the missing document claim on this loan?

4 A So, for this particular claim, as we mentioned, we do a  
5 review of the entire loan file. And in that process, we  
6 were able to determine that there was in fact a copy of the  
7 HUD-1 in this particular loan file. And so, we identified  
8 that and gave it back to the Trustees.

9 Q Okay. And I want to look at what it is that you  
10 provided back to the Trustees on this particular claim.

11 MS. DOMINGUEZ-BRASWELL: Can you go to Plan  
12 Administer Exhibit 620, and Slide 24, I think?

13 Q What is on the screen here, Mr. Trumpp?

14 A The copy of the HUD-1 that was found in the file.

15 Q Okay.

16 MS. DOMINGUEZ-BRASWELL: And Your Honor, just to  
17 orient you --

18 THE COURT: Yes.

19 MS. DOMINGUEZ-BRASWELL: -- Plan Administrator 620  
20 is the actual formal response that was provided back. It's  
21 a spreadsheet that shows individual formal responses. And  
22 on the slide, what we'll show you is a snippet of that  
23 formal response so you can see it, and then the documents  
24 that were provided back. So, the screen will show something  
25 different than Plan Administrator 620. The screen is from

1 the slide deck.

2 THE COURT: Can you say that again?

3 MS. DOMINGUEZ-BRASWELL: Sure. Plan Administrator  
4 620 is the formal response, the letter and the attached  
5 formal responses associated with this particular loan and  
6 the individual claims.

7 THE COURT: All right.

8 MS. DOMINGUEZ-BRASWELL: What you see on the  
9 screen is from our PowerPoint presentation, and it just  
10 shows you the...

11 Can you call up the formal response, please, the  
12 formal response text and the documents that were provided  
13 back to the Trustees. And I'll let Mr. Trumpp explain that  
14 concept of the documents --

15 THE COURT: Okay, the formal response that's on  
16 the right here, that's what was provided to the Trustees?

17 MS. DOMINGUEZ-BRASWELL: Right.

18 THE COURT: -- and made a format in --

19 MS. DOMINGUEZ-BRASWELL: Right. And attached --

20 THE COURT: Okay, so this --

21 MS. DOMINGUEZ-BRASWELL: -- to a letter like the  
22 one you see --

23 THE COURT: -- is a grab from that document?

24 MS. DOMINGUEZ-BRASWELL: Exactly.

25 THE COURT: Okay, thank you.

1 Q And Mr. Trumpp, what is on the screen besides the  
2 formal response?

3 A So, on the screen we have a copy and a picture of the  
4 HUD-1 that was found in the file and the Bates reference for  
5 that particular document. And we have on the right-hand  
6 side a picture of the formal response that was given back to  
7 the Trustees for this particular claim.

8 And in yellow, those are the words from the formal  
9 response itself for this particular alleged defect and claim  
10 of a missing HUD-1.

11 Q Now, in the formal response there's no Bates reference  
12 to the HUD-1. How did the Trustees know to connect the dots  
13 on the Bates document which is the HUD-1 and the formal  
14 response associated with that claim?

15 A So, there would have been a separate exhibit attached  
16 in the communications back and forth between the parties  
17 that had for each loan number the applicable Bates documents  
18 that we were referring to or looking at in our responses  
19 back to our Trustees. So, we had the Excel document with  
20 the formal response and the words in yellow here.

21 But then again, as we talked about this morning,  
22 we had, based on communications with the Trustees, decided  
23 to provide an additional exhibit. And that additional  
24 exhibit was an Excel file with a loan number, and the Bates  
25 citations and references to the key documents out of the

1 loan file or third-party documents that we thought would be  
2 relevant to the review for them.

3 So, in this particular example, we would have  
4 cited to the Bates reference listed here for this HUD-1.

5 Q Signaling to the Trustees that you identified the  
6 allegedly missing document?

7 A Correct. To be used in conjunction with what we said  
8 in our formal response.

9 Q Okay. Let's go back to the claims tracking spreadsheet  
10 and look at the next claim alleged on this loan. What claim  
11 is that, Mr. Trumpp?

12 A So, alleged defect number 2 is for a misrepresentation  
13 of debt obligations.

14 Q And what are the Trustees alleging with respect to this  
15 particular claim?

16 A Yes, I'll try not to read it word for word and  
17 summarize it. But basically, this particular loan closed in  
18 November of '06. They cite to a MERS report and an audit  
19 credit report that they believe show that there was an  
20 additional mortgage outstanding for this particular borrower  
21 at the time the subject loan was closed. And that that  
22 particular loan, according to the MERS and audit credit  
23 report, was opened in April of 2005, so, prior to the  
24 subject loan. And that that particular loan had a balance  
25 of \$164,500 and a monthly payment of \$2,329.

1 And so, because of that additional mortgage, the  
2 Trustees felt that the borrower misrepresented their true  
3 debt capacity at origination, and that because that debt  
4 wasn't assessed by the original underwriter and put into the  
5 original debt income calculation, their allegation was that  
6 the true debt to income ratio for that particular loan,  
7 taking into account the misrepresentation of debts and the  
8 misrepresentation of income, which we'll talk about in a  
9 minute, the borrower's true debt to income ratio was 133.06  
10 percent. Or said another way, more than 100 percent of that  
11 borrower's monthly income had to go to all of their debt  
12 obligations.

13 Q And I'd like to take you to the documents where the  
14 information that the Trustees point to here that they allege  
15 supports the misrepresentation of debts claim in turn,  
16 starting with the MERS report that they're citing to here.

17 Just to give us the background, can you generally  
18 describe what MERS is and what MERS reports are?

19 A So, MERS is a -- stands for Mortgage Electronic  
20 Recording System, and it was a system that originators,  
21 lenders and servicers had the ability to use to track  
22 ownership of loans and servicing rights. Not all loans in  
23 the United States were registered in MERS, but this was used  
24 as essentially a clearinghouse for information on loan  
25 ownership.

1 Q Are you familiar with the type of data that MERS  
2 stores?

3 A So, in my past experience at Aurora, we had reason to  
4 use MERS as a servicer. And so, from time to time, I had  
5 reason to see MERS reports and read and see how they were  
6 used.

7 Q Do you know how that information is input into the  
8 system?

9 A So, many different parties and entities have access to  
10 input information into the system for MERS. Generally  
11 speaking, the servicers who are servicing loans on behalf of  
12 MERS, if the loan ownership changes, if the servicer  
13 changes, have reason to go into the system of MERS and  
14 change the data.

15 Q Do you know one way or the other whether the data that  
16 goes into the MERS system is always accurate?

17 A It depends upon the entity putting the information in  
18 and making sure that its accuracy is maintained.

19 Q Now, the other document that the Trustees are relying  
20 on is an audit credit report. Can you explain what an audit  
21 credit report is?

22 A So, an audit credit report is simply a credit report  
23 that is pulled on the borrower for audit purposes. And so,  
24 in this case it would've been a credit report that was  
25 pulled by one of the Trustees' diligence vendors as part of

1 their review.

2 Q And how did the plan administrator treat audit credit  
3 reports during the protocol?

4 A We would treat it like any piece of evidence. We would  
5 look at it, assess its merits, and weigh it appropriately.

6 Q How about MERS reports? How did the plan administrator  
7 treat MERS reports?

8 A Same answer. We would look at it, we would assess it  
9 relative to their claim, weigh it against any other  
10 additional evidence that we found, or information in the  
11 loan file, and we would weigh it appropriately.

12 Q Okay.

13 THE COURT: Can I ask a question? The audit  
14 credit report, that refers to a credit report from one of  
15 the major credit reporting agencies?

16 MR. TRUMPP: Yes.

17 THE COURT: Okay. So, that's not unlike MERS,  
18 which is a -- MERS is MERS. There's no such thing as ACR.  
19 It refers to Experian or one of the others?

20 MR. TRUMPP: Correct. It could have been a single  
21 credit report from one of them, or a tri-merge, where they  
22 looked at all three. It just depends. But ACR really is  
23 just to imply that it's a credit report that was pulled  
24 later, not necessarily the credit report that was used at  
25 origination.

1 THE COURT: Okay. And are you familiar,  
2 generally, with the data that each of the credit reporting  
3 services keeps? Does it go back -- how far back in a  
4 person's life does it go?

5 MR. TRUMPP: You know, that's a good question. I  
6 don't know the answer to that.

7 THE COURT: Okay.

8 Q Look at Plan Administrator Exhibit 663. Mr. Trumpp,  
9 what is this document?

10 A So, this is the beginning of, and it's the document I  
11 referred to as the claims tracking -- or excuse me, the  
12 claims package that was submitted for this particular loan.

13 Q Okay. And approximately how many pages is this?

14 A In this particular case, the claim package for this  
15 loan was 24 pages.

16 Q Okay. And was this claim package that the Trustees  
17 submitted supposed to contain all of the evidence that the  
18 Trustees were relying on to support their claim?

19 A Yes.

20 Q Let's take a look at page -- we're going to just kind  
21 of walk through this. Let's take a look at the next page in  
22 the claims package, Page 2 of Exhibit 663. What is this  
23 document?

24 A So, this particular page is a page from the  
25 underwriting guidelines. And just based on my experience, I

1 know that these are the underwriting guidelines from Aurora

2 --

3 Q Okay.

4 A -- which was one of the originators in question where  
5 LBHI made representations and warranties. And there's a  
6 couple of pages from those underwriting guidelines submitted  
7 here. It wasn't by any means the entire list of  
8 underwriting guidelines and product profiles. And what's  
9 unique here is that this particular loan was not originated  
10 by Aurora.

11 Q And what significance does that have?

12 A Oh, the underwriting guidelines for loans from Aurora  
13 isn't applicable to a loan that was originated in this case  
14 by BNC. They would've had their own separate underwriting  
15 guidelines, or a separate different type of loan program.

16 So, when you're looking at underwriting  
17 guidelines, you've first got to make sure that you have it  
18 from the right entity. Then you've got to make sure that  
19 you have it as of the right applicable date. Underwriting  
20 guidelines changed over the course of time. And you also  
21 needed to make sure that you were looking at the right loan  
22 program within the right underwriting guideline.

23 So, those were all things that you needed to look  
24 at. In this particular claim package, they submitted  
25 underwriting guidelines, and a portion of the underwriting

1 guidelines at that, from the Aurora underwriting guidelines,  
2 but Aurora had nothing to do with the underwriting and  
3 origination of this loan.

4 Q And is there a difference between Aurora and BNC  
5 guidelines?

6 A Yes. So, generally speaking, Aurora originated what  
7 are called Alt-A loans, and BNC originated subprime loans.  
8 So, inherently they're going to be different.

9 Q And is this something that you saw in other instances  
10 beyond this loan file on other loan files where they had the  
11 wrong underwriting guidelines?

12 A So, one of the things that was important in our review,  
13 and we talked about it briefly this morning, was assessing  
14 materiality and using the appropriate underwriting  
15 guidelines as a benchmark for that. We're not necessarily  
16 sure, nor can we glean, what underwriting guidelines if any  
17 were used by the Trustees in their review process.

18 Q Let's take a look at the page after the underwriting  
19 guidelines, page 5 of Exhibit 663. What is this document?

20 A So, there were a couple different versions depending up  
21 on who the loan reviewer was of this, but it's referred to  
22 here as a uniform underwriting and transmittal summary. And  
23 it's generally referred to in the industry as a 1008, but  
24 it's really a document that the Trustees' vendors use to --  
25 in their review of the loan. So, the top half of the page

1 is certain identifying characteristics about the particular  
2 loan and then further down we start seeing some of the  
3 things that they're found based upon their review of the  
4 loan. So, for example, in the middle of the page there's a  
5 line for audit total obligations and income of 133.06  
6 percent. That ties back to the claims tracking spreadsheet  
7 and the new DTI that the Trustees were alleging. And up  
8 above that we can see the character -- the elements -- let's  
9 use that word -- the elements that went into the calculation  
10 that derived at 133.06 percent. So, up above we see changes  
11 in their income that were used in that calculation.

12 Q Let's pause on that for a minute. Can you explain the  
13 concept of DTI and how it's relevant to the analysis under  
14 the protocol?

15 A So, the debt-to-income ratio is a ratio of a borrower's  
16 monthly debt obligations as a percentage of their monthly  
17 gross income. Monthly gross income is listed on their  
18 application. Their monthly debt obligations are also listed  
19 on their application. And the two are calculated -- used in  
20 the calculation of a debt-to-income ratio.

21 Q So, is there a DTI that's calculated at origination?

22 A Yes.

23 Q And is that relevant to the underwriting decision?

24 A Yes.

25 Q And then this DTI, this 133.06 you said is what the

1 Trustees are alleging. What does that mean? What is that?

2 A So, taking into account the alleged new income and  
3 taking into account the alleged misrepresentation of debts,  
4 they go back and recalculate the debt to income ratio based  
5 on the new information and they assert that really instead  
6 of the origination DTI as listed up above here of 20.184  
7 percent, this borrower's true debt-to-income ratio based  
8 upon this new information really was 133.06 percent.

9 Q And is the recalculation of DTI relevant to the plan  
10 administrator's analysis of a breach of claim?

11 A It is. It's one of the things that we're looking at  
12 when we're assessing materiality relative to the  
13 underwriting guidelines that were used at origination.

14 Q And did the plan administrator take the Trustees'  
15 recalculated DTI at face value?

16 A No.

17 Q What did the plan administrator do?

18 A Well, first he had to check the math, right? We wanted  
19 to make sure that the math was right. But then secondarily  
20 we had to look at each component that they said was new and  
21 assess whether it truly was accurate or not. And so, we  
22 would look at the income and assess the income and determine  
23 whether that was accurate and we would look at the debts.  
24 And so, there were a couple of layers of review that you had  
25 to do to assess whether that asserted debt-to-income ratio

1 held water.

2 Q Now, you said it was relevant.

3 THE COURT: Can I ask a clarifying question? So,  
4 does it vary by originator what gets included in the DTI,  
5 both in terms of the income and the debt? Is that a  
6 uniform, across-the-industry thing or does it vary depending  
7 upon who is originating the loan, if you know?

8 MR. TRUMPP: Generally speaking it's a fairly  
9 straightforward calculation. However, you would have to  
10 look at the underwriting guidelines for that particular  
11 origination to see if there were any exceptions or things  
12 that they did differently.

13 THE COURT: Okay. Thank you.

14 Q And focusing on the equation that talked about earlier,  
15 at what part does the Trust -- I'm sorry, the plan  
16 administrator's analysis of the DTI calculation,  
17 recalculation come into play?

18 A Well, the various inputs to the new debt-to-income  
19 ratio would come into -- would be assessed at the threshold  
20 facts level to see whether they're appropriate or not. But  
21 the materiality portion of that new debt-to-income ratio  
22 would take -- would be taken into account at the application  
23 of rep and warranty levels.

24 Q Okay. And when you say materiality, can you explain  
25 what you mean by that as it relates to the DTI calculation?

1 A So, it's really looking at and assessing the magnitude  
2 of change of debt-to-income ratios, right? Did it go from  
3 20.184 to 25? Did it go from 20 to 40? Did it go to 20 to  
4 50? Or did it go from 20 to 133.06 percent? Those are all  
5 things that we were weighing when we were assessing  
6 materiality. And it was all in relation to the original  
7 underwriting guidelines and what would the lenders have  
8 approved had they known of the borrower's true income or  
9 true debt capacity.

10 Q And is there -- I understand you said it depends on the  
11 underwriting guidelines. Is there a typical max DTI under  
12 the guidelines?

13 A So, it would again vary by originator and loan product.  
14 So, frequently it was 45 or 50 percent.

15 Q Okay. Now, you said earlier there were exceptions.  
16 What did you mean by that?

17 A So, what I mean by that is when underwriters underwrote  
18 loans at origination, they had the underwriting guidelines  
19 that said, "Here are the parameters with which you can make  
20 a lending decision." But generally speaking, underwriters  
21 had the ability to go outside of those guidelines if there  
22 were compensating factors. So, maybe they could say this  
23 particular debt-to-income ratio is higher than what the  
24 underwriting guidelines all for, but I'm willing to make an  
25 exception because there are compensating factors. And what

1 I mean by that is maybe the borrower had larger-than-normal  
2 assets to cover any potential difference. Maybe the  
3 borrower had some fundamental thing in his self-employment  
4 that went into the decision somehow. It just depended upon  
5 the facts and circumstances, but they would look at is there  
6 a factor of this particular borrower that offsets any  
7 potential negatives in lending outside of the underwriting  
8 guidelines. So, it was possible if there were compensating  
9 factors available to allow certain underwriting guideline  
10 exceptions.

11 Q And to be clear, you said earlier that typically the  
12 max was between 45 and 50. Are you saying that if it went,  
13 for example, above 50 and that was the max but there were  
14 compensating factors, the loan might still be underwritten?

15 A Potentially, yes.

16 Q And how is that relevant to the plan administrator's  
17 materiality assessment of the defect?

18 A So, it all goes back to looking at the facts and  
19 circumstances at origination for that particular loan and  
20 looking at what -- we're trying to put ourselves in that  
21 underwriter's shoes and look at what were they thinking.  
22 It's kind of hard to do ten years after the fact but we  
23 would look at the guidelines, we would look at the  
24 information available, and assess, you know, was this new  
25 fact as alleged by the Trustees, assuming it was true,

1 something that would have caused the original underwriter to  
2 not make that loan?

3 Q And you said you performed your own calculation of the  
4 DTI. Was it often the case that you agreed with the  
5 Trustees' allegation of the recalculated DTI or disagreed  
6 with the Trustees' recalculation of the DTI?

7 A Well, so, it depends. And in this particular example,  
8 we don't agree with their calculation of the debt-to-income  
9 ratio that drove their answer to get it to 133.06, not just  
10 because we disagree with their allegations or  
11 misrepresentation of income and misrepresentation of debts,  
12 but based upon the debts that they're asserting, assuming  
13 they were accurate, we don't believe they used the right  
14 monthly obligation for that new loan to calculate the 133  
15 percent.

16 Q Okay. And we'll get to that in a minute. So, just to  
17 deconstruct your answer, so the -- it's DTI, debt-to-income,  
18 so you're saying the debt was wrong and the income was wrong  
19 and therefore the whole calculation was wrong? There's lots  
20 of different ways that DTI can be wrong, right?

21 A Absolutely.

22 Q At inception and at the time of the look-see, right?

23 A So, to answer your --

24 Q I'm just trying to understand -- deconstruct -- you  
25 know, try to put your answer in different words.

1 A We'll talk about it in more detail, but the short, very  
2 simple answer is when the Trustees alleged in their factual  
3 basis for defect number two that the monthly payment  
4 associated with that new, undisclosed mortgage was \$2329, we  
5 have no idea where that \$2329 came from.

6 Q Thank you. Let's keep walking through the Trustees'  
7 claim package. Going to Page 7 of Exhibit 663, can you  
8 identify that document for us, Mr. Trumpp?

9 A Yes, this is the initial page of the borrower's loan  
10 application.

11 Q Okay. And take a look at the third page in that  
12 application where it says assets on the left-hand side and  
13 then liabilities on the right-hand side. Is that where the  
14 borrower's supposed to disclose his or her debt obligations?

15 A Yes. On the application on the right-hand side is  
16 where the borrower's supposed to place all of their monthly  
17 liabilities. So, mortgages, credit cards, car loans, et  
18 cetera.

19 Q Now, here the Trustees were alleging an undisclosed  
20 debt of \$164,500. Do you see that anywhere disclosed on  
21 this application?

22 A I do not.

23 Q Would that end the inquiry for the plan administrator  
24 analysis? The Trustees' have alleged that the borrower  
25 didn't disclose a debt. It clearly does not appear on the

1 loan application. Does that end the inquiry?

2 A No. We would want to look at the evidence that was  
3 asserted by the Trustees to confirm that he truly had that  
4 particular mortgage, and we would want to look through the  
5 rest of the loan file to see if there was anything else in  
6 there that may be pertinent.

7 Q Okay. Let's take a look at the Trustees' alleged  
8 evidence. Going to Page 19 of the claim package, can you  
9 describe for the Court what that document is?

10 A So, this is an example of a merged report. And this is  
11 how it came to us from the Trustees. And they highlighted  
12 that box at the bottom. And that box at the bottom is the  
13 loan that they are arguing was undisclosed.

14 Q Okay. And what is --

15 A So --

16 Q -- what is the note date on that loan?

17 A So, the note date is April of 2005. The note amount is  
18 \$164,500.

19 Q Okay. And what's the date of origination of the loan  
20 that we're looking at?

21 A So, the date of origination of the subject loan is  
22 November of 2006.

23 Q So, based on this report it looks like in fact this  
24 debt did exist before origination and the borrower did not  
25 disclose it on his loan application, right?

1 A Based solely on this report, it would appear that way.

2 Q Okay. Does that end the inquiry for the plan  
3 administrator?

4 A No.

5 Q All right. We're going to keep looking, but before we  
6 move on, what is that text at the bottom below the box that  
7 looks typed in?

8 A So, this is information that was added to the merged  
9 report by the Trustees and submitted in their claim package.  
10 And so, this is information that they're showing supposedly  
11 for that particular mortgage. And they say that the note  
12 rate for this mortgage was 8.94 percent and that the monthly  
13 debt obligation was \$2329, and that \$2329 ties to the amount  
14 alleged in the factual basis for defect. The issues are we  
15 don't know where they got the 8.94 percent. The subject  
16 loan's note rate was 8.94 percent so it appears that they  
17 just grabbed the note rate from the subject loan and applied  
18 it to this undisclosed debt and said, "That must have been  
19 the note rate," and the note rate obviously is key to  
20 determine how much their monthly obligations are. So, we  
21 don't know their note rate. Secondarily, they wrote on here  
22 this 200 and 300 -- \$2329 assuming that that's the monthly  
23 debt obligations for this mortgage. I'm not necessarily  
24 sure, nor can I tell, where that came from. I ran an  
25 amortization schedule myself and at 8.94 percent it was,

1 like, \$1300 and change, so that would mean -- for principal  
2 and interest. So, that would mean there's an additional  
3 \$1000 on this particular mortgage for taxes and insurance  
4 which seems high to me.

5 THE COURT: Can -- on that subject, do you have  
6 any indication -- you mentioned amortization. So, you --  
7 how would you know -- there are so many different types of  
8 mortgage and loan products, interest-only, 15-year, 30-year,  
9 is -- what would you look to to determine what the basis of  
10 the calculation was?

11 MR. TRUMPP: You're absolutely correct, Your  
12 Honor. I just created a simple 30-year, straight fixed-rate  
13 mortgage obligation, but I have no idea --

14 THE COURT: Okay.

15 MR. TRUMPP: -- based upon this information what  
16 the correct way to do it would be.

17 Q And is there anything in the loan file that gives you  
18 any insight into how the Trustees came up with that number?

19 A I surmise that the 8.94 percent rate was taken because  
20 it was the same as what the subject loan was and they said,  
21 "That's reasonable." But again, I have no idea how they  
22 calculated their monthly payment amount. And to Your  
23 Honor's earlier point, it's that \$2329 that went into that  
24 debt-to-income calculation. So, assuming this debt really  
25 is there, which we'll talk about later why it's not, that

1 calculation was based upon this information that we can't  
2 support.

3 Q So, we just walked through the claim package and the  
4 Trustees' evidence. The Trustees also cited to an audit  
5 credit report. Was there an audit credit report in their  
6 claim package?

7 A No. So, this is an example of the Trustees talking  
8 about a document in their allegations but it was not  
9 included in a claim package and it was not included in the  
10 loan file.

11 Q Okay. Let's go to the loan file, Plan Administrator  
12 Exhibit 664. Mr. Trumpp, can you describe what this  
13 document is and where you found it?

14 A So, this is a credit report that was found in the loan  
15 file and this credit report, if you look at the upper left-  
16 hand corner, was ordered in October of 2006. So, a month  
17 before the particular mortgage was originated. So, by that  
18 we're inferring that this was the origination credit report.

19 Q And what significance does that have to you that it was  
20 the origination credit report as opposed to a credit report  
21 that was pulled later?

22 A Well, this is the credit report that presumably would  
23 have been in the hands of the underwriter at the time they  
24 were assessing the characteristics of the loan and making a  
25 lending decision.

1 Q And does that matter one way or the other?

2 A Well, I want to know based upon that origination credit  
3 report that they had what did it say about this particular  
4 undisclosed mortgage?

5 Q Let's take a look at the second page of this exhibit,  
6 Page 2 of Exhibit 664. Towards the bottom of the page -- if  
7 you go to the second page -- towards the bottom of the page,  
8 one line up, do you see where it says Homecome Finance, it  
9 looks like, FIN, and it's got some information about a debt  
10 and some dates? Can you tell the Court what that is?

11 A Yeah. So, this is the second page of the credit report  
12 looking at various trade lines for this particular borrower,  
13 and the highlighted section is for a mortgage with  
14 Homecoming Financial, and it seems to line up with the  
15 supposed undisclosed mortgage, opened in April of '05, and  
16 the balance at a high credit limit of \$164,500.

17 Q Okay. Is there any other useful information on this  
18 trade line?

19 A So, we don't necessarily know where the words came  
20 from, the sold part, but it -- we assume that the  
21 underwriter wrote this information on there that it was sold  
22 in July of '05. And along with that it has a balance of \$0,  
23 and it says last payment was in July of '05. So it appears,  
24 based upon the origination credit report, which the lenders  
25 would have used in their underwriting decision, that this

1 particular undisclosed mortgage had paid off.

2 Q What does that mean?

3 A It means there was no longer a debt obligation of the  
4 borrower. So, when they filled out their application and  
5 listed their liabilities, they correctly did not list this  
6 as a liability because it wasn't.

7 Q Okay. Let's take a look at Exhibit number PA-677. And  
8 what is this document?

9 A This is another example of a credit report that we  
10 found --

11 THE COURT: Hold on a minute.

12 MS. DOMINGUEZ-BRASSWELL: Sure.

13 THE COURT: Do you see what I mean?

14 MS. DOMINGUEZ-BRASSWELL: (indiscernible)

15 THE COURT: We cannot put it up on the screen and  
16 you can ask the witness to refer to it on a generic basis.

17 MS. DOMINGUEZ-BRASSWELL: Okay.

18 Q Mr. Trumpp, you still have the document in front of you  
19 but we're not going to put it on the screen.

20 THE COURT: Do you want to hand -- do you have it  
21 in your binder, Mr. Trumpp?

22 MR. TRUMPP: Can you just tell me where it is in  
23 my binder? I'll find it.

24 MS. DOMINGUEZ-BRASSWELL: Yes.

25 THE COURT: Or you could just hand him a copy if

1 that would make it easier.

2 MS. DOMINGUEZ-BRASSWELL: He's got a copy. Plan  
3 administrator Exhibit 677.

4 Q Okay. Mr. Trumpp, can you describe this document for  
5 the Court?

6 A Yes. So, this is another credit report that we found  
7 in the loan file. This particular credit report appears to  
8 have been requested or pulled in October of 2011. So,  
9 several years after the origination of this particular loan.  
10 We surmise from that that this must have been used in the  
11 loss mitigation process somehow. And so, this was another  
12 document that we used in our weighing of evidence for this  
13 particular claim.

14 Q Okay. And take a look at Page 4 of that document.  
15 Five lines up from the bottom there's a GMAC Mortgage entry.  
16 Do you see that?

17 A Yeah. So, this is GMAC Mortgage, which I believe was  
18 another name for Homecomings Financial; it had changed hands  
19 over time. But this particular mortgage says again opened  
20 in April of '05, high balance of \$164,500, last active July  
21 of '05. So, it appears again based upon another credit  
22 report that we found in the file that this particular loan  
23 had been closed in July of 2005.

24 Q And were either -- were copies of these documents in  
25 the Trustees' claim package?

1 A No, they were not.

2 Q And what was the plan administrator's finding with  
3 respect to the misrepresentation of debts claim?

4 A So, based upon the evidence that we saw in the loan  
5 file itself, we made the determination that that loan had in  
6 fact closed prior to origination and was no longer a  
7 liability of the borrowers. And so, it was rightly not  
8 included in the application at origination and it was not a  
9 misrepresentation of the borrower's debt obligations.

10 Q Okay. And let's take a look at what the plan  
11 administrator provided back to the Trustees with respect to  
12 this claim.

13 MS. DOMINGUEZ-BRASSWELL: Can we put up the slide  
14 that has the formal response, please? Just go to the formal  
15 response. Thank you.

16 Q Mr. Trumpp, do you see what's on the screen there?

17 A I do.

18 Q Is this the response that was provided back to the  
19 Trustees with respect to the misrepresentation of debts  
20 claim on this loan?

21 A It is.

22 Q And there's a document on the screen as well beyond the  
23 formal response; what is that?

24 A Yeah. So, one of the documents that we cited to in our  
25 Bates references that we gave back to the Trustees was the

1 origination credit report.

2 Q Do you believe that the Trustees had enough information  
3 to understand what the plan administrator's position was  
4 with respect to this particular claim on this loan?

5 A Based upon the wording in our formal response, based  
6 upon the fact that we cited to their origination credit  
7 report via Bates reference, I do believe that the Trustees  
8 had sufficient information to understand the Trust -- or the  
9 plan administrator's position on this particular claim.

10 Q Okay.

11 MS. DOMINGUEZ-BRASSWELL: Can we go back to the  
12 claims tracking spreadsheet? The plan administrator 689.  
13 Can we go to the screen that shows the third claim on this  
14 particular loan?

15 MR. TRUMPP: So, the third claim on this  
16 particular loan was for a misrepresentation of income. And  
17 I'll try not to read it word for word but summarize what it  
18 says for a factual basis. But they state that the borrower  
19 listed on his application that he was earning \$6500 per  
20 month as a driver when the loan closed in November of 2006.  
21 To support their allegation of a misrepresentation of  
22 income, the Trustees refer to a -- that particular  
23 borrower's 2007 W-2, which verified the borrower was  
24 employed with the same employer and employment when the  
25 subject loan closed, and the post-closing W-2 said the

1 borrower's income was \$31,946 annually. And what that means  
2 is they took that amount from the W-2, divided it by 12, to  
3 say that the borrower must have made \$2662 a month. They  
4 also refer to a Bureau of Labor Statistics report for a  
5 borrower for that particular area of the country and state  
6 that a 90 -- the 90th percentile for a truck driver in  
7 Jacksonville, Florida if I recall correctly was \$4507 a  
8 month, not the \$6500 a month as given by the borrower at  
9 origination. Therefore, based upon those two things, the  
10 borrower must have misrepresented his income. And they used  
11 the revised income of \$2662 a month in their new debt-to-  
12 income ratio when they calculated it at 133.06 percent.

13 Q And just pausing for a moment on that ratio on the DTI  
14 of 133, we've already gone through the misrepresentation of  
15 debts claim, does the fact that the debt was not in  
16 existence at origination affect that 133 DTI recalculation?

17 A It would. That quote, unquote "new debt" would have to  
18 be taken out and recalculated.

19 Q And would the DTI go up or down as a result?

20 A The debt-to-income ratio would go down.

21 Q Okay. Now, the Trustees are asserting that the  
22 borrower is a driver it looks like in this claims tracking  
23 spreadsheet. What do you know about this borrower and  
24 whether or not he's a driver?

25 A So, it does state on the application that the borrower

1 was a driver. However, we also know on the application that  
2 the application was taken down over the phone so we don't  
3 necessarily know what communications occurred between the  
4 borrower and the person filling out the application. What  
5 we do know based upon the information in the loan file is  
6 that the borrower worked for Stanley Steamer and he was a  
7 carpet cleaning technician. So, he -- whether driver fits  
8 that category or not, I'm not sure, but I don't think it's  
9 necessarily synonymous.

10 Q Do you know how he was paid?

11 A He was paid hourly and on commission -- well, sorry.  
12 Let me take that back. He was paid on a commission basis.

13 Q Okay. And now, the first document that the Trustees  
14 cite to is a W-2 and then the second one is -- looks like  
15 Bureau of Labor Statistics. Let's take a look at the Bureau  
16 of Labor Statistics document. Can you please go to PA-663?  
17 We're back at the Trustee's claim package. Let's move to  
18 Page 22 of that exhibit. What is this document?

19 A So, it's a reference to the Bureau of Labor Statistics'  
20 website where the Trustees pulled information for truck  
21 drivers in Jacksonville, Florida, and it's not necessarily  
22 seen on this page but if you go to Page 23 of the claim  
23 package, it shows the information that they pulled at that  
24 website, again using the location of Jacksonville, Florida  
25 and using the occupational title of truck drivers, heavy

1 tractor trailers, and based upon the right-hand side where  
2 you see the 90th percentile, they listed the 90th percentile  
3 for truck drivers in Jacksonville, Florida as \$54,000 and 90  
4 -- or \$54,090. So, the first hurdle is, is a carpet  
5 cleaning technician and a truck driver, heavy tractor  
6 trailer, equal? And that's something that we had to weigh  
7 in our evidence. And then the next thing that we needed to  
8 look at was the fact that the Trustees took the 90th  
9 percentile, divided that by 12, for this average income in  
10 this database on a third-party website and said, "Okay,  
11 well, you probably should have been more in line with income  
12 of \$4507.50," but we don't again really know what the  
13 borrower made other than what he'd said at origination and  
14 then what we'll talk about in a minute at the W-2.

15 Q How did the plan administrator treat BLS data generally  
16 during the protocol?

17 A So, like I said earlier, we did not reject any one  
18 piece of evidence outright. We looked at it and weighed it  
19 and gave it the appropriate weight, and what I mean by the  
20 appropriate weight for a Bureau of Labor Statistics document  
21 would be less.

22 Q Okay. And based on this BLS report, can you tell what  
23 this particular borrower made in November of 2006 when the  
24 loan was originated?

25 A No.

1 Q Let's turn to the Trustees' next document cited in  
2 support of their claim, plan administrator 663. So, we're  
3 in the exhibit already. Let's go to Page 20.

4 A I'm sorry. What page?

5 Q Twenty. What is this document?

6 A So, this is a copy of the borrower's 2007 W-2 which was  
7 available in the loan file and presumably would have been  
8 given by the borrower as part of the loss mitigation  
9 process.

10 Q Is the fact that it's the year after origination  
11 relevant at all to the plan administrator analysis?

12 A It is. It's something that we would take into account  
13 and weigh. It's not necessarily equal to, you know, telling  
14 us what the particular borrower made in '06, but it's  
15 something that, you know, we looked at.

16 Q Do you see that note that looks like it's in  
17 handwriting at the top of the box? Two -- looks like 26621  
18 --

19 A 266213?

20 Q -- yeah. Do you know what that is?

21 A I do not.

22 Q What's the income stated on this W-2?

23 A The wages, tips, and other compensation box, box 1, say  
24 that the borrower in '07 for this particular employer earned  
25 \$31,945.57.

1 Q Okay. And does anything stand out to you about that  
2 figure?

3 A That ties to the claim statement made by the Trustee in  
4 their claims tracking spreadsheet.

5 Q And how does it tie to it?

6 A It's the amount that was used in their calculations.

7 Q But they had a monthly calculation, right?

8 A Yes. So, they took \$31,946, divided it by 12, and said  
9 this borrower worked all 12 months and made \$2662 a month  
10 based upon this annual figure here.

11 Q So, going back to that handwritten, it looks like  
12 that's -- that matches the monthly income that the Trustees  
13 stated on the claims tracking spreadsheet.

14 A Why, yes it does. It's missing a decimal, but --

15 Q Did you see that very often where there would be sort  
16 of handwritten notes on documents during the protocol?

17 A We did and I didn't put two and two together on that  
18 until now. Thanks.

19 Q And where did those handwritten notes come from?

20 A Presumably they came from the Trustees' review firm.

21 Q Okay. Did you ever speak to any of the people actually  
22 doing the reviews?

23 A I did not.

24 Q The people that you said you spoke to were Mr. Esses  
25 and Mr. Pfeiffer?

1 A That's correct.

2 Q Anybody else that you spoke to during the protocol?

3 A In step 3 there were other members of Duff & Phelps's  
4 team that we talked to. I recall off the top of my head  
5 Charlie Campbell but I know there were others that were on  
6 the phones when we were doing those negotiations.

7 Q Was there anybody other than the folks from Duff &  
8 Phelps that you spoke to during the protocol?

9 A You know, we talked to the Trustees' representatives  
10 and counsel in that process but I don't recall ever speaking  
11 to anybody from the due diligence providers.

12 Q And do you know whether anybody from Duff & Phelps did  
13 any of this research and calculations and note writing on  
14 the claim package?

15 A I don't know.

16 THE COURT: Mr. Shuster? Light is shining on you.

17 MR. SHUSTER: What I always wanted but it's not as  
18 good as I thought it would be.

19 (Laughter)

20 THE COURT: It's a very focused light so we're  
21 going to try and fix that unless you want to just bask a  
22 little longer.

23 MR. SHUSTER: No, no. Thank you, Your Honor.

24 THE COURT: Is that better? No?

25 MR. SHUSTER: Yes.

1 THE COURT: It's still -- he still is --

2 MR. SHUSTER: I can -- I'm not in as much distress  
3 (indiscernible).

4 THE COURT: Well, I don't want to cause you any --

5 MR. SHUSTER: I can turn this way, look at Mr.  
6 Cosenza and --

7 THE COURT: I don't want to cause you unnecessary  
8 distress, so --

9 MR. SHUSTER: Thank you, Your Honor.

10 THE COURT: -- give us a minute.

11 MR. SHUSTER: Thank you.

12 THE COURT: It's a high-tech drape closer that we  
13 use, which I told you previously not to use, but -- that's  
14 lovely. It's a nice touch.

15 MR. SHUSTER: Thank you.

16 THE COURT: All right.

17 Q So, Mr. Trumpp, what we've gleaned I think is that the  
18 yearly income stated in this W-2 was divided by 12 to arrive  
19 at what the Trustees allege is the monthly income for the  
20 borrower, right?

21 A Yes.

22 Q Is that an appropriate calculation in the plan  
23 administrator to you?

24 A No.

25 Q Why not?

1 A Because we don't necessarily know if the borrower  
2 worked all 12 months in that year.

3 Q Do you know one way or the other for this particular  
4 borrower whether he did work 12 months in the year of 2007?

5 A So, based upon the information in the loan file, it  
6 appears to us that the borrower did not work all 12 months  
7 of the year. It appears that he worked the first five  
8 months of the year and then had a medical event. This  
9 particular borrower, according to the hardship letters, had  
10 major surgery and colon cancer. And so, we don't  
11 necessarily know the specific number of days and months  
12 worked in the year. Based on the information in the loan  
13 file and the medical records and the application for short-  
14 term disability, and long-term disability, it appears  
15 putting it all together that the borrower worked for the  
16 first five months of the year.

17 Q And if in fact he did work for five months of the year  
18 in 2007, would that \$2662 monthly income figure be correct?

19 A It would not.

20 Q What would -- I don't expect you to do full-on math in  
21 your head, but approximately what would be the monthly  
22 income if it was only a five-month year?

23 A So, we're looking at over \$6000 a month which puts him  
24 in line with the original amount that he stated on his loan  
25 application.

1 Q Let's take a look at some of the evidence that you just  
2 cited that discusses this particular borrower's  
3 circumstances. Can we look at Plan Administrator Exhibit  
4 665? What is this document?

5 A So, this is the beginning of a couple of pages of a  
6 hardship letter that was found in the loan file.

7 Q And can we go to the second page? And the first line  
8 of that, Mr. Trumpp, is this what you were referring to when  
9 you were speaking about this particular borrower's life  
10 circumstances?

11 A It was. So, it said at the beginning, "I was sick in  
12 2007 with colon cancer, had a major operation, missed work  
13 and got into trouble financially."

14 Q And taking a step back for a moment, what is a hardship  
15 letter? Can you just describe what context that arises in  
16 and what it is?

17 A So, hardship letters are things that are commonly found  
18 in loan files where the loan went through some sort of loss  
19 mitigation process. And what I mean by that is, you know,  
20 if this particular borrower truly had colon cancer and went  
21 into financial hardship, he would have a hard time making  
22 his monthly payments and so he would have reached out to his  
23 servicer and explained his situation in order to try and get  
24 some alleviation from his monthly debt obligations. And  
25 those could have come in multiple forms. It could have been

1 potentially a forbearance. It could have been a loan  
2 modification. It could have been some sort of workout plan.  
3 And so, one of the things that's common for a servicer is to  
4 seek information from the borrower. They would ask for them  
5 to fill out a letter and tell them what their situation is.  
6 They would pull new credit reports similar to the one we  
7 found. They would do additional work to assess whether or  
8 not it would be a prudent decision to allow some sort of  
9 loss mitigation mechanism for this particular borrower. So,  
10 you know, this particular borrower clearly had some  
11 hardships that they went through and this is just one of  
12 several hardship letters that were found in the file.

13 Q Okay. Let's take a look at the next exhibit, plan  
14 administrator 666. And if you look at Page 3 of this  
15 document, what is this?

16 A This is where we glean the best that we can that the  
17 borrower went into the hospital in May of 2007. You'll see  
18 it at the top right-hand corner. And it talks lower down  
19 below about how he was carried into the hospital on a  
20 stretcher. So, it clearly appears based on the information  
21 in the loan file that he had a medical event.

22 Q And were these medical records and the hardship letter  
23 that we just saw relevant to the plan administrator's  
24 analysis for this misrepresentation of income claim?

25 A It is because it points to the fact that this

1 particular borrower had issues and wasn't able to work for  
2 the entire year of 2007. So, taking a W-2 from 2007 and  
3 dividing it by 12 to get that borrower's monthly income  
4 wouldn't be appropriate.

5 THE COURT: Can I ask you a question? I've  
6 noticed on this document and one or two of the previous  
7 documents there's a fax -- there's a header across the top.  
8 It appears to be a fax or something of that nature. Do you  
9 know what that refers to? National Foreclosure?

10 MR. TRUMPP: I don't.

11 THE COURT: Thank you.

12 Q Mr. Trumpp, this came from the servicer's files, right?

13 A That is correct.

14 Q Could that have some relationship to the faxing?

15 A I could speculate where it came from but I --

16 THE COURT: Don't speculate. That's okay. Thank  
17 you.

18 MS. BRASSMAN: Okay.

19 Q Can we go back to the hardship letter for a moment,  
20 plan administrator 665? Page 2. Mr. Trumpp, right after  
21 the line you read, this borrower speaks to, let's see, it  
22 says, "I have a great deal of money in my house." Do you  
23 see that?

24 A I do.

25 Q And can you read the next sentences, the next couple of

1 sentences below that?

2 A Yeah. So -- so he says, "I have a great deal of money  
3 in my house which I probably will never see. My job is up  
4 and down. The economy is slow and job loss is great."

5 Q Was that relevant? And I know we're talking about the  
6 misrepresentation of income and the breach analysis, but  
7 skipping for a moment to the AMA analysis, was that relevant  
8 at all to the plan administrator's AMA analysis?

9 A It was. So this particular borrower's situation is a  
10 perfect example of a good reason for a loan modification or  
11 some sort of forbearance plan, right? The fact that he had  
12 colon cancer is a good reason to work with the borrower to  
13 try and keep him in his house and make sure that he's able  
14 to make payments eventually.

15 And so, the fact that he's referring to the fact  
16 that "this economy is difficult. I'm working, and I am  
17 trying to make up -- keep up with my payments," but he was  
18 just expressing what many borrowers in this particular time  
19 period were seeing based upon the results of the economic  
20 downturn that was going on.

21 And so, this is just evidence that we use in our  
22 AMA assessment to determine, you know, assuming that the  
23 borrower lied about their debt capacity and their income  
24 capacity, is that what led to this default on the loan?  
25 Well, no, clearly this guy had colon cancer and major

1 financial hardships where he wasn't able to work. And so  
2 those are the types of things that went into our analysis.

3 But we wouldn't know any of this information  
4 unless you really dug into that 2,900-page loan file doc.  
5 This isn't the type of stuff that was given in the claim  
6 package. You really had to dig in and look and assess and  
7 look at what's in all aspects of this particular borrower's  
8 life and what we know.

9 Q Thank you. Now the Trustee cited to the BLS report,  
10 which we saw and they cited to the 2007 W-2. Was there  
11 anything else in the file that the Trustees didn't cite to  
12 but that was relevant to the plan administrator's analysis?

13 A Yes. So there was also a 2006 W-2.

14 Q Okay. Let's take a look at that at Plan Administrator  
15 678.

16 A So --

17 Q And how was this relevant? Sorry.

18 A So this is just an example from the same employer as  
19 the last W-2 to show what the borrower made in 2006. The  
20 problems here are we know the borrower started sometime in  
21 '06 for this particular company. We don't know necessarily  
22 his start date, and we don't necessarily know what type of  
23 ramp up period there was. We don't necessarily know what  
24 type of training period there were.

25 We do know from some of the medical records in the

1 file that he was commission-based, and it appeared it was  
2 hours-based. But we -- those are all things that we are  
3 gleaning and surmising, but we can't definitively know about  
4 the '06 W-2 because we don't know when he started.

5 Q Ultimately, what was the plan administrator's  
6 determination on this misrepresentation of income claim?

7 A So even though there were multiple pieces of "evidence"  
8 in the file, right -- they had BLS, there were multiple W-2s  
9 -- we did not feel that there was sufficient information in  
10 the loan file to prove that the borrower misrepresented his  
11 income. So we failed this claim.

12 Q And at what level of the analysis did this claim fail,  
13 and you were talking about earlier the different parts of  
14 the equation?

15 A So this particular claim and the other claim both  
16 failed at the threshold fact level. You know, there wasn't  
17 sufficient information to establish the allegation of the  
18 claim that they were making.

19 Q And let's assume for a moment that there was a breach,  
20 that there was enough evidence, that this borrower lied,  
21 that he didn't make what he said he made on his loan  
22 application. Would the plan administrator have found the  
23 second component of the analysis AMA on this one?

24 A We would not have.

25 Q Why not?

1 A Because the default on this particular loan was caused  
2 by his colon cancer and the fact that he had a medical  
3 hardship and the economy. So it did not appear based upon  
4 the information that we saw in the file any real  
5 relationship between additional debts and lower income to  
6 the ultimate performance of the loan.

7 Q And speaking of the performance of the loan, how long  
8 did this loan perform? How long did this borrower pay?

9 A So we saw on the claims tracking spreadsheet that this  
10 was listed as a non-liquidated loan, meaning it's active.

11 Q What does that mean in terms of the borrower's --

12 A Well, so it means --

13 Q -- payment history?

14 A -- it means it hasn't gone through -- the borrower  
15 hasn't gone through foreclosure. It means the borrower  
16 hasn't lost his house. And actually, this particular  
17 borrower is still making his payments and based upon the  
18 most recent information we have from October, the borrower  
19 is current.

20 Q Okay. We talked about this borrower's particular life  
21 events and specifically the -- his survival of cancer. Were  
22 there other life events that you saw reflected in loans  
23 during the protocol that caused you to make the same  
24 conclusion you just described now which is something else  
25 happened that caused this loan to go into default?

1 A So, you know, I -- I talked earlier about the need for  
2 a review of all the information in the loan file but  
3 especially the information from the servicing record. You  
4 can see in this example how important it was for us to look  
5 at the hardship letter and the additional information that  
6 was provided as part of the last minute process in our  
7 assessment of a claim, the breach itself, and the AMA  
8 assessment on the loan.

9 So we had to really look through the entire loan  
10 file to make a determination on whether these were valid  
11 claims are not.

12 Q Okay. And I want to show you a couple of other  
13 hardship letters so that we can unpack that a little bit  
14 more.

15 MS. DOMINGUEZ-BRASWELL: But before I do that, can  
16 we show the response that the plan administrator provided  
17 back to the Trustees on this particular claim?

18 Q Mr. Trumpp, is this the response that the plan  
19 administrator provided?

20 A Yes.

21 Q And do you think the Trustees has enough information to  
22 understand the plan administrator's position with respect to  
23 the income claim?

24 A I do.

25 Q Okay. Let's turn now to Plan Administrator Exhibit

1 674.

2 THE COURT: Can you -- before you take this off  
3 the screen, when this refers to non-origination year tax  
4 returns, is that really a reference to the W-2 or --

5 A It really is a reference to the W-2,  
6 Your Honor, and it's a reference to the 2007 W-2 that they  
7 referred to.

8 THE COURT: Thank you.

9 MS. DOMINGUEZ-BRASWELL: Plan Administrator 674.

10 Q What is this document, Mr. Trumpp?

11 A This is another example of a hardship letter that was  
12 found in the loan file that was used in the assessment of  
13 AMA.

14 Q Okay. And just to be clear, this is a separate loan  
15 from the one we just walked through?

16 A Yeah. This is, again, just another example of the  
17 types of things we saw in hardship letters. This particular  
18 hardship letter references an injury on the job and  
19 permanent disability. So, you know, this is all kind of  
20 frame of reference, but keeping in mind that the Trustees  
21 are alleging that 55 percent of the loans that are at issue  
22 here, you know, in these -- that defaulted with losses here  
23 and/or are still active today that they reviewed had some  
24 sort of defect. That just seems really high to me.

25 And here's an example of a hardship letter that we

1 found in there that just says, hey, you know what, life  
2 happens. The person got colon cancer. A person got injured  
3 on a job. We had a financial crisis that caused high  
4 unemployment. Those are all the types of things that we had  
5 looked at as we were making our AMA assessments.

6 Q And how often did you see borrowers discussing medical  
7 issues like this or like the cancer survivor in hardship  
8 letters?

9 A It varied, right? We don't want to paint the picture  
10 that every single time there was some sort of life event,  
11 but it's something that was important to look at and assess  
12 when you're doing your loan review.

13 MS. DOMINGUEZ-BRASWELL: Can we take a look at  
14 Plan Administration Exhibit Number 676?

15 Q Is this another example of a hardship letter, Mr.  
16 Trump?

17 A It is. And this is the hardship letter that was  
18 referenced in the opening statements, but it's just another  
19 example of what we found by looking through the loan file.  
20 And in this particular case, the borrower passed away and  
21 they weren't able to continue to work on making the payments  
22 for that property and getting a tenant. So those were just  
23 examples of the types of things we found in the loan files.

24 Q Okay. Now other than life events, were there other  
25 things that the plan administrator considered when doing its

1 -- performing its AMA analysis?

2 A So when the plan administrator performed our AMA  
3 analysis and when RBF looked at the loan files for this,  
4 they were always looking at it through a framework of what  
5 do we know about that's happening in the economy at this  
6 particular time, what do we know about this particular  
7 borrower and what can we glean from their loan file, what do  
8 we know about unemployment, what are those macro factors,  
9 what are the types of factors that we knew about were going  
10 on at this particular time.

11 So that was the framework with which they viewed  
12 these particular loans, but they were also looking for  
13 performance history, right? Did the loan go down really  
14 quickly and take a loss? Did it make two payments, three  
15 payments? Or did it perform for five or six years? From  
16 our perspective, there's definitely a correlation between  
17 breach and performance.

18 And so those are the types of things that were  
19 going through our minds in our assessment of AMA.

20 Q And what if a particular breach was deemed to have AMA?  
21 Would the plan administrator still consider things like life  
22 events and performance history?

23 A No, we wouldn't because that wasn't part of the  
24 analysis and that was something that wouldn't have applied.

25 Q Otherwise, would the analysis be the same on deemed AMA

1 breaches? In other words, if we take this part out, would  
2 that be the analysis on the (indiscernible)?

3 A Yes.

4 Q And how did you know whether a particular  
5 representation and warranty was a deemed representation of  
6 warranty?

7 A I mentioned earlier that we had to go back and look at  
8 the representations and warranties that were available for  
9 each particular loan and each particular securitization.  
10 Some representations and warranties were deemed and others  
11 weren't. The Trustees did tell us in their claims tracking  
12 spreadsheets which representations and warranties they felt  
13 were applicable, but we always went back and doubled checked  
14 because they weren't always right.

15 Q Okay. Now we walked through a loan that had the three  
16 claims on it, the missing document claim, the  
17 misrepresentation of debts claim or the debt was found not  
18 to have existed, and the misrepresentation of income claim,  
19 the gentleman who survived cancer. Are those three claims  
20 still at issue today?

21 A So the missing HUD-1 is no longer at issue, but the  
22 misrepresentation of debts and the misrepresentation of  
23 income claims are both still at issue today.

24 Q So what does that tell you about the Trustee's review  
25 of that particular loan?

1 A I don't necessarily know everything that went into  
2 their review process. I know what we provided and gave to  
3 them. And so I believe based on the information that we  
4 provided to them, it's pretty clear that neither of those  
5 are valid claims. I -- I can't tell you what they're  
6 thinking.

7 Q But they withdrew one of the claims. The loan,  
8 however, is still at issue in this proceeding?

9 A That is correct.

10 Q Okay. Now you mentioned that this particular loan with  
11 the gentleman who survived cancer is still current today, is  
12 still paying today?

13 A Yes. Ultimately, he did get a modification, but he is  
14 still paying today and current.

15 Q Did the Trustees submit many loans like that where  
16 borrowers continued to pay?

17 A Yeah. So I mentioned earlier this morning that I was  
18 surprised to see claims made on active loans. And what I  
19 mean by active again is non-liquidated. This is an example  
20 of a claim on an active loan, and not only is this loan  
21 active, meaning it's not liquidated, this loan's active  
22 meaning it's current.

23 Q We just walked through one loan with a handful of  
24 claims. And now I want to sort of take a step back and be  
25 at a higher level and talk about the claims you saw

1 generally during the protocol.

2 THE COURT: It seems like that's a stopping point.

3 MS. DOMINGUEZ-BRASWELL: It is. It's a

4 transition. We can take a break.

5 THE COURT: It seems like it's a stopping point.

6 And tell me about how long you want to go for today.

7 MS. DOMINGUEZ-BRASWELL: In terms of the overall

8 outline that I have, I think I probably still have another

9 two and a half hours, maybe -- so maybe three.

10 THE COURT: So that -- so we're not going to

11 finish today?

12 MS. DOMINGUEZ-BRASWELL: I don't think so.

13 THE COURT: It's going to be a little too late.

14 MS. DOMINGUEZ-BRASWELL: Yeah.

15 THE COURT: So I'd like to for the purposes of

16 everyone up here, 5:30 would be a good stopping point? All

17 right.

18 UNIDENTIFIED SPEAKER: That would be fine, Your

19 Honor.

20 THE COURT: I mean certainly as well go on, if

21 we're close to finishing a witness as it gets towards the

22 end of the day, we'll do that, but if not, then I'd just

23 assume we wrap at 5:30 for everybody's sake.

24 MS. DOMINGUEZ-BRASWELL: That would be great.

25 THE COURT: Okay? All right. So let's take ten

1 minutes. We'll come back at 25 minutes before the hour.

2 (Recess)

3 THE COURT: Okay.

4 MS. DOMINGUEZ-BRASWELL: Thank you.

5 CONTINUED DIRECT EXAMINATION OF ZACHARY D. TRUMPP

6 BY MS. DOMINGUEZ-BRASWELL:

7 Q Mr. Trumpp, we saw an example of a misrepresentation of  
8 debts claim where the debt existed before origination but  
9 then no longer existed at origination. Were there ever  
10 instances where the Trustee submitted a misrepresentation of  
11 debts claim on a debt that didn't exist at origination but  
12 existed after origination?

13 A Yes.

14 Q And what do you refer to those types of claims as?

15 A Post-closing debts origination claims.

16 Q Okay. And did the Trustee submit many of those claims?

17 A They did.

18 Q And what is the plan administrator's view with respect  
19 to the validity of those claims?

20 A So from our perspective, those are invalid claims and  
21 they would fail at the threshold facts level.

22 Q Why?

23 A Because the obligations of the borrower on the loan  
24 application are to list the debts they have at the time of  
25 the application and at the time of closing.

1 Q Okay. Let's take a look at an example of a loan  
2 application. And we'll just use the same one that we had  
3 been looking at before, Plan Administrator 663, page 7.  
4 That's where the loan application starts. If we go forward  
5 to page 9, that's the area that we had looked at before  
6 where a borrower is supposed to list his or her debts.

7 MS. DOMINGUEZ-BRASWELL: Can we zoom in on that  
8 box above the term "liabilities"? Thank you.

9 Q Mr. Trumpp, what does that tell the borrower to  
10 provide?

11 A So these are the instructions on the loan obligations,  
12 and it says, "Liabilities and pledge assets list the  
13 creditor's name, address, and account number for all  
14 outstanding debts including automobile loans, revolving  
15 charge accounts, real estate loans, alimony, child support,  
16 stock pledges, et cetera. Use a continuation sheet if  
17 necessary and indicate by an asterisk those liabilities  
18 which will be satisfied upon the sale of the real estate  
19 owned or upon the refinancing of the subject property."

20 So it's the instructions for how to fill out the  
21 obligation, and it's saying list your outstanding debts.

22 Q And what was the plan administrator's position with  
23 respect to whether or not this instruction requires the  
24 borrower to provide debts that may be incurred in the  
25 future?

1 A It is our position that debts taken out post-closing  
2 aren't required to be listed on the application.

3 Q Okay. I'd like to put up on the screen a few other  
4 claim types that are at issue in this case. And I'd like  
5 you to describe for the Court what you saw with respect to  
6 those claim types, starting with missing document claims.  
7 Generally, can you describe for the Court what you saw in  
8 the protocol with respect to missing document claims?

9 A So these were claims for particular documents that were  
10 present at origination that were no longer a part of the  
11 loan file as reviewed by the Trustees. So they were saying  
12 that there may not have been a copy of the original loan  
13 application. There may not have been a copy of the  
14 settlement statement. There may not have been a copy of the  
15 appraisal in the loan file. There may not have been a copy  
16 of the truth-in-lending statement.

17 So those are all documents that are there at  
18 origination that they are arguing should still be there ten  
19 years later and were clearly adverse and material to the  
20 value of the loan by it not being in the loan file.

21 Q And can you give the Court a general sense of how the  
22 plan administration typically responded to missing document  
23 claims under the protocol?

24 A We essentially had three responses. One is, hey,  
25 Trustee, we found it. Here it is. Two, it was, hey,

1 Trustee, we weren't able to find that particular document in  
2 the loan file, but it appears that it was there at  
3 origination. For example, you could see the charge on the  
4 settlement statement for \$400 for an appraisal. So you may  
5 not have had a copy of the appraisal in the loan file, but  
6 you can tell that it was there.

7 Or we would have said simply, hey, we can't find  
8 it and we don't see any indication of it in the loan file.  
9 But even if it wasn't there, we don't see how that would  
10 have been material and adverse to the value of the loan or  
11 material at all.

12 Q Okay. Does the fact that a missing document is missing  
13 from the file eight, nine, ten years after origination tell  
14 you anything about whether it was there at origination?

15 A It does not.

16 Q What about appraisal claims? What did the plan  
17 administrator see during the protocol with respect to  
18 appraisal claims submitted by the Trustees?

19 A So the types of appraisal claims typically submitted by  
20 the Trustees were in the form of they didn't meet necessary  
21 qualifications for an appraisal. And what I mean by that  
22 is, you know, there are certain USPAP guidelines that have  
23 to be followed when an appraisal is done.

24 And they would argue that there were certain  
25 things that should fall under those guidelines that weren't

1 taken into account in the appraisal whether it was  
2 necessarily required or not, so things such as it didn't  
3 include a map of the property in the appraisal or it didn't  
4 include the right type of pictures in the appraisal. So  
5 those are the types of things that they asserted for their  
6 appraisal claims.

7 Q And what was the plan administrator's position on those  
8 types of claims you just described?

9 A Well, we reviewed them in relation to the USPAP  
10 guidelines where we could and we responded that, you know,  
11 this particular issue wasn't covered under USPAP or this  
12 particular issue really wasn't relevant. But in general, we  
13 did not see a basis for approving appraisal claims.

14 Q What about regulatory claims?

15 A Regulatory claims are also a very fact-intensive  
16 assessment. You got to look at what the various regulatory  
17 requirements were at the state and local and federal level.  
18 And you also have to know your truth-in-lending laws, et  
19 cetera. And so you had to make sure that all the necessary  
20 information was in the file to assess that, and you had to  
21 also understand what regulatory requirements were in play.

22 And, you know, a common type of regulatory claim  
23 that we saw was for truth-in-lending violations that were  
24 outside of tolerance levels. We felt that there should be a  
25 \$100 tolerance level and Trustees used a different tolerance

1 level of \$35. And so there was some debate as to which  
2 tolerance level applied. But, again, a very fact-intensive  
3 regulatory type review. And those types of claims could be  
4 examples of where instances where we saw that they were  
5 deemed material and adverse, not left to the AMA language of  
6 the contracts.

7 Q Did the plan administrator pass any of the Trustees'  
8 regulatory claims?

9 A We did.

10 Q And when I say pass, you know I mean approve?

11 A Yes.

12 Q Okay. Going back to the missing document claims, you  
13 said earlier that this was the type of claim that you saw a  
14 lot of in the protocol. Did you expect to see a large  
15 amount of missing document claims in the protocol?

16 A You know I did not. These are a type of claim that  
17 historically is not something that we would have pursued in  
18 our downstream claims. It's not something that we saw had a  
19 lot of merit to it. And I was surprised early on that they  
20 were making that type of claim, let alone that many of those  
21 claims.

22 Q Okay. Now you said that just because it was -- I asked  
23 you whether if it's missing now, does it mean it was missing  
24 at origination and you said "No". What do you base that  
25 one?

1 A Just my experience. So I mentioned, you know, our  
2 ability to gather files from other servicers, it was not  
3 uncommon to not have the full documents that from when we  
4 gathered files from services in loss management. Similarly,  
5 I knew Aurora's policies for scanning evolved over the  
6 course of time. And sometimes they would scan certain  
7 documents and sometimes they wouldn't.

8 So I knew that it is entirely possible at this  
9 point in time gathering loan files wasn't necessarily going  
10 to be a process where a hundred percent of the documentation  
11 was gathered, but it didn't necessarily mean it was missing  
12 at the time the representations were made.

13 Q Now when you say "a hundred percent of the  
14 documentation gathered," are you referring to origination  
15 files or servicing files?

16 A Primarily the origination side. Our assumption and  
17 hope was that we would have gotten a hundred percent of the  
18 servicing files because that was, you know, in the  
19 possession of the servicer.

20 Q And going back to the critical documents that the plan  
21 administrator required, was that from the origination file  
22 or from the servicing file?

23 A All four of those documents were from the servicing  
24 file.

25 Q Okay. Now, by the way, on the critical documents, did

1 you expect the Trustees to provide you with enough critical  
2 documents that you'd be able to eventually take those loans  
3 off hold and review them?

4 A Yeah. I fully anticipated and expected that eventually  
5 the Trustees would be able to gather that information and we  
6 would review those files.

7 Q And you testified earlier that the plan administrator  
8 put approximately 30,000 loans on hold. How many are on  
9 hold today?

10 A Twenty-four thousand, give or take.

11 Q Is that -- does that mean that the Trustees never  
12 provided those documents for those 24,000 files?

13 A That's correct.

14 Q I'd like to walk through a couple of more examples.

15 THE COURT: Can I ask a follow-up question on that  
16 one?

17 MS. DOMINGUEZ-BRASWELL: Sure.

18 THE COURT: So there are a number of possibilities  
19 the documents could be supplied. So you've indicated that  
20 in certain cases they were, right, or it's implied in the  
21 reduction of the number of the on-holds?

22 A Yes. So the reduction from 30 to 24 --

23 THE COURT: Yeah.

24 A -- is mostly the reduction associated with trusts that  
25 have collapsed or the claims that the Trustees have

1 withdrawn and loans that they have withdrawn --

2 THE COURT: I see.

3 A -- because they did withdraw certain on-hold loans.

4 THE COURT: Okay. So it doesn't reflect that on  
5 6,000 of the 30,000, they actually supplied the  
6 documentation that was identified as missing from the  
7 servicer's files?

8 A Correct. When I refer to 30,000, I'm implying how many  
9 at the end of step 2 --

10 THE COURT: Right.

11 A -- were still on hold.

12 THE COURT: Okay.

13 A And so, you know, the assumption was and the  
14 expectation at least on my part was that they would continue  
15 to work and gather that information so we could get it into  
16 step 2. And these are loans that never made it into step 2.

17 THE COURT: So are you aware -- what I'm trying to  
18 drill down on is the documents could be supplied or the  
19 documents could not be supplied. If the documents are not  
20 supplied, theoretically, hypothetically, it's possible that  
21 there would be a statement that after a diligent search,  
22 they can't find the documents.

23 Was there any sort of a process around that, or  
24 was it simply the PA saying, these are the documents we need  
25 to take these off hold and then nothing? I'm just trying to

1 understand what actually happened with respect to those  
2 files that were identified as lacking documentation.

3 A So essentially we reported back to the Trustees and  
4 said we're putting these loans on hold until you can get us  
5 this information. They said they would try and get this  
6 information. They said they attempted to get this  
7 information and for one reason or another were unsuccessful  
8 to obtain that information.

9 It is our position that this is all information  
10 that the servicer should have been able to provide. They  
11 may have needed some additional help in terms of a subpoena  
12 or something else to get them over the hurdle to get that  
13 information. It's our position that it's not that the  
14 information didn't exist. They just weren't able to provide  
15 it to us to review.

16 THE COURT: Thank you.

17 Q Now, Mr. Trumpp, for a portion of the loans that you  
18 put on hold, the Trustees did, in fact, go back to the  
19 servicers and acquire the information you were requesting  
20 and provide that to you, right?

21 A That's correct. So there were instances where they  
22 were able to obtain the additional information or they were  
23 able to come up with ulterior ways of getting us that  
24 information. So not all loans that were put on hold stayed  
25 on hold. We took loans off hold throughout the process.

1 MS. DOMINGUEZ-BRASWELL: Can we put up the slide  
2 with the excerpt from Mr. Aronoff's report with the two  
3 loans, please?

4 Q Mr. Trumpp, what's on the screen in front of you?

5 A This is an excerpt from Exhibit 17 of Aronoff's  
6 affirmative expert report where he was comparing and  
7 contrasting loans that were passed with loans that were  
8 failed.

9 Q Okay. And I assume these are two loans, right, that  
10 are being compared as you just described?

11 A Yes.

12 Q And one of them is a pass?

13 A Yes.

14 Q And one of them is a fail?

15 A I believe the top one is the fail, and the bottom one  
16 is the pass.

17 Q I'll represent to you that it's the other way around.  
18 The one in red is a pass, and the one in black at the bottom  
19 is a fail.

20 A Thank you.

21 Q Just to orient you. Now do you understand -- well,  
22 first of all, are you familiar with Mr. Aronoff's  
23 affirmative expert report?

24 A I am.

25 Q And do you understand what his goal was in comparing

1 the passes to the fails?

2 A Yes. His goal was to say here's characteristics from a  
3 pass for loans that look just like all of these other loans  
4 with similar characteristics that were fails. Therefore,  
5 there must be something wrong here, and these other loans  
6 must be passes, too.

7 Q Okay. Now what claim type is Mr. Aronoff focusing in  
8 on in this comparison of a pass loan to a fail loan?

9 A So the claim type we're looking at here is  
10 misrepresentation of income. And the evidence type for both  
11 claims as asserted by the Trustees were bankruptcy  
12 documents.

13 Q And let's just kind of walk through the points of  
14 comparison that Mr. Aronoff has here starting with the third  
15 column in which describes the evidence type being used. Do  
16 you see that?

17 A Yeah. So they're saying that the evidence type shows  
18 income for the same year as origination. They're saying  
19 that both borrowers were salaried borrowers. They're then  
20 showing the monthly income that was represented at  
21 origination, the monthly income according to their evidence,  
22 the calculated difference between those two numbers, the  
23 percentage basis and difference on those two numbers, and  
24 what that evidence type was.

25 So what they're saying here is, hey, we have two

1 different loans from two different borrowers who are  
2 salaried that using bankruptcy documents that listed their  
3 income for the same year as origination. You passed one  
4 loan and you failed one loan. So clearly the other fail  
5 must have been a pass if you're willing -- or fail. You  
6 know, the other fail must have been a pass. If you were  
7 failing to accept one, you should accept the other.

8 Q Okay. Now is it the plan administrator's position that  
9 a loan can be assessed on just these characteristics listed  
10 on this chart?

11 A No.

12 Q Why not?

13 A Because there's just not enough information here to  
14 come to a conclusion. So you would have to look at the  
15 claim package in the loan file and the information contained  
16 in those bankruptcy documents and make an assessment.

17 Q Okay. Let's take a look at these two loans, starting  
18 with the loan that failed or that was rejected by the plan  
19 administrator.

20 MS. DOMINGUEZ-BRASWELL: Can we look at claims  
21 tracking spreadsheet, Plan Administrator Exhibit 692, the  
22 claims tracking spreadsheet for this particular loan?

23 May we look at the second page of this document?

24 Q Now, Mr. Aronoff is comparing these two for the  
25 purposes of -- these two loans for the purposes of comparing

1 the misrepresentation of income claims on these loans. What  
2 are the Trustees alleging with respect to this  
3 misrepresentation of income claim?

4 A So for this particular loan, they're alleging a  
5 misrepresentation of income. And on this particular loan,  
6 there were two borrowers. The borrower was stated she had  
7 income as a marketing director earning \$7,250 a month. The  
8 co-borrower listed income of \$6,800 per month as a realtor.  
9 So those are the two sources of income.

10 And then what they look to is the statement of  
11 financial affairs from the District of Arizona's Bankruptcy  
12 Courts and their Chapter 7 bankruptcy filing. So and that  
13 bankruptcy filing occurred in 2009. And in that bankruptcy  
14 filing from 2009, they listed their 2007 full-year income as  
15 -- for the borrower as \$41,587 or \$3,466 per month. The co-  
16 borrower showed an annual income in '07 of \$3,020 a month.  
17 And so they took that, divided by 12 to get to \$252 a month.

18 So using their income as given in their bankruptcy  
19 statement of financial affairs, they recalculated the DTI  
20 and got a debt-to-income ratio of 171 percent, which  
21 exceeded the loan program guidelines max of 60 percent. So  
22 that's all from their allegation of factual basis for this  
23 misrepresentation of income.

24 Q Okay. Let's take a look at the claim package and  
25 orient ourselves on who these borrowers are and when this

1 loan originated.

2 MS. DOMINGUEZ-BRASWELL: Can we go to Plan  
3 Administrator Exhibit 667?

4 Q And what is this document, Mr. Trumpp?

5 A So 667 is a copy of the claims package that was given  
6 for this particular loan.

7 Q Okay. And let's turn to page 9 of that document. When  
8 did this loan originate, and I just want to orient ourselves  
9 again --

10 A And so --

11 Q -- because it's a lot of information.

12 A So it wasn't necessarily clear from the information  
13 given in the claim statement, so we went to the note and  
14 this loan was originated on April 6th of 2007.

15 Q Okay. So April 6th, 2007, these co-borrowers take out  
16 a loan. And let's take a look at their loan application.  
17 On page 4 of the same exhibit, 667, is this the co-  
18 borrowers' application?

19 A It's the borrower and co-borrower's application, yes.

20 Q Okay. And I was using the term "co-borrowers" meaning  
21 plural, the two borrowers. Tell the Court who the borrowers  
22 are? I know we don't have their full information, but just  
23 describe generally who these borrowers are.

24 A So the borrower is the wife, and she is a marketing  
25 director. The co-borrower is the husband and he is a

1 realtor. And this is for a property in Arizona.

2 Q Okay. And on the second page of the loan application  
3 towards the bottom of the page, what information do you have  
4 listed here for these two borrowers?

5 A So on the monthly income, on the side, on the left it  
6 says the borrower made \$7,250 a month. The co-borrower, the  
7 realtor, made \$6,800 a month for a total of \$14,050.

8 Q And generally speaking, what are the Trustees claiming  
9 about these two borrowers?

10 A So they don't necessarily make an allegation of  
11 misrepresentation of income for the borrower. They make a  
12 misrepresentation of income allegation for the co-borrower,  
13 the realtor.

14 Q And that's the husband?

15 A Yes.

16 Q Right? And you said he's a realtor. Okay. By the  
17 way, let's go back to Mr. Aronoff's Exhibit excerpt for just  
18 one second. Do you see where it says what type of borrower  
19 this is, either salaried or self-employed?

20 A So according to this exhibit, it says they're both  
21 salaried, which is not the case.

22 Q Why do you say that?

23 A Well, so the co-borrower husband is a realtor so that  
24 wouldn't be salaried. And then based upon the statement of  
25 financial affairs, it appears the wife had income from a

1       salaried position, but she also had income from a business.

2       Q     Okay. All right. Let's go back to the claims package.

3       Now what evidence did the Trustees cite in support of their

4       misrepresentation of income claim? Do you recall or do you

5       want me to go back to the claims tracking spreadsheet?

6       A     So the evidence they cite is the bankruptcy documents,

7       and specifically they refer to the statement of financial

8       affairs included in that.

9       Q     Is there any other evidence that they're citing in

10       their claim statement? We can go back to it if you want to

11       see it.

12               MS. DOMINGUEZ-BRASWELL: Plan Administrator 692.

13               (Pause)

14       A     Can you repeat your question?

15       Q     Are they citing to any other evidence besides

16       bankruptcy documents to support their income claim?

17       A     They are not.

18       Q     Okay. Let's take a look at those bankruptcy documents

19       that the Trustees are relying on.

20               MS. DOMINGUEZ-BRASWELL: Can we turn to page 50 of

21       Exhibit

22       Number 667?

23       Q     Can you describe this document for the Court, Mr.

24       Trump?

25       A     This is the statement of financial affairs page from

1     their bankruptcy filings. And the highlighted box was their  
2     -- put there by the Trustees. And it lists three things in  
3     the highlighted box: the husband's wages of \$30,020, the  
4     wife's wages of \$41,587, and then the wife's business income  
5     of \$17,492.

6     Q     Now let's take a look at the text at the bottom of this  
7     document that appears to be typed in. Do you see that?

8     A     Yes. So --

9     Q     What is that?

10    A     So this is, again, information from the Trustees. They  
11    took the wife's wages for the year divided by 12 to imply  
12    that she made \$3,465.58 per month. They disregarded her  
13    business income of \$17,492 for the year, and then they took  
14    the husband and his realtor's wages and took it for \$3,020  
15    divided by 12 and said you must have earned \$251 a month.

16    Q     Okay. I want to focus on the wife's income for a  
17    minute, borrower 1. It looks like the Trustees used the  
18    figure \$41,587 and, as you said, divided it by 12. And you  
19    noted that they disregarded the wife's business income for  
20    that same year, \$17,492. Is that relevant to the plan  
21    administrator's analysis when considering this document and  
22    whether it supports the claim?

23    A     It is. It definitely goes into our assessment of  
24    whether or not the borrower lied about their income.

25    Q     How?

1 A Because, you know, we would say you got to look at both  
2 pieces in relation to what she originally stated.

3 Q Okay. Now the Trustees have -- well, let me ask you  
4 this. Have you heard the Trustees describe the plan  
5 administrator's position as disputing the sufficiency of the  
6 evidence but not the accuracy of the evidence? Have you  
7 heard them say that?

8 A I did. Yes.

9 Q Do you agree with that statement?

10 A You know, I don't, and as highlighted earlier in the  
11 misrepped debts claims, right, so there clearly was some  
12 accuracy issues there with how they calculated their debt-  
13 to-income ratio. Similarly, here, they're, you know,  
14 failing to include portions of income for the wife in their  
15 analysis. And so I would argue we are questioning the  
16 accuracy of the information.

17 Q Are you also disputing sufficiency in some instances?

18 A Yes.

19 Q And can you just generally describe for the Court the  
20 difference between those two things, your contention with  
21 respect to sufficiency and separately with respect to  
22 accuracy?

23 A Yeah. I mean accuracy is, you know -- does the math  
24 work with what they're saying or does the document -- is the  
25 document used appropriately versus is it sufficient? Is it

1 -- when we're weighing the evidence, is it sufficient to tip  
2 the scales one way or the other relative to the other  
3 information in the loan file?

4 Q Okay. Let's take a look at page 17 of this same  
5 document. What is this document?

6 A This is a copy of a request for a verification of  
7 employment that we found. And it was to the co-borrower's  
8 prior employer, not his current employer as listed on his  
9 application but the prior employer.

10 Q Is the co-borrower the husband?

11 A The co -- again, yes, the co-borrower is the husband.

12 Q And what was his profession again?

13 A He was a realtor in Arizona in '07.

14 Q Okay. And you said this was a verification of  
15 employment for his prior employer as opposed to the employer  
16 during --

17 A Yeah. So --

18 Q -- origination?

19 A -- we saw on his application his current employer and  
20 his prior employer. And from our review, it appeared that  
21 this verification of employment was for his prior employer.  
22 We did not find a verification of employment for his current  
23 employer.

24 Q Okay.

25 THE COURT: Current as in current at the time of

1 origination?

2 A Yes.

3 THE COURT: Thank you.

4 MS. DOMINGUEZ-BRASWELL: Can you zoom out and take  
5 a look at the bottom part of that page?

6 Q Do you see, Mr. Trump, where it says "Part 3, date  
7 hired and date terminated"?

8 A Yes.

9 Q Do those dates have any significance for you?

10 A It's something that went into our review. Based upon  
11 this verification of employment, it appears that he only --  
12 it appears he started working for this company in January of  
13 2002, and he left the company in February of 2006.

14 Q And how much money did he make during that timeframe?

15 A Well, so this only shows a column for 2006. So for the  
16 month and a little over a week that he worked in 2006, he  
17 earned \$30,915.

18 Q And do you see that text above the date --

19 THE COURT: I'm sorry.

20 MS. BRASSDMAN: Sure.

21 THE COURT: For how long did he work?

22 A Well, based upon the information in the verification of  
23 employment, if you look under Part 3 --

24 THE COURT: Yeah.

25 A -- where it says "date terminated", that tells me he

1 left February 9th, 2006.

2 THE COURT: Right.

3 A And up above, the first column where they're showing  
4 base pay and commissions, et cetera --

5 THE COURT: I see.

6 A -- is just for 2006. So while he worked there multiple  
7 years, in the year of 2006, he only worked for them, you  
8 know, the month of January and nine days in February.

9 THE COURT: Thank you. Thank you.

10 A And in that very brief period in '06, he earned and  
11 collected \$30,915 according to this verification of  
12 employment.

13 THE COURT: Thank you.

14 Q And do you see that text that seems to be typed above  
15 that?

16 A Yeah, so, this is again information that we believed  
17 was put on there by the Trustee's review firm and they took  
18 that \$30,915 from the prior employer, divided it by 12, and  
19 implied that this particular borrower must've made \$2,576.25  
20 per month.

21 Q And is that an appropriate calculation in the plan  
22 administrator's view for this particular borrower?

23 A For a realtor who has variable monthly income, probably  
24 not.

25 Q And based on the information you see here in terms of

1     how long this -- how long it took this particular borrow to  
2     make that much money, do you think that dividing it by 12 is  
3     an appropriate calculation?

4     A     No.

5     Q     Okay, let's turn to Page 45 of the claim package which  
6     is the same exhibit that we're in right now, Exhibit 667.

7     What is this document?

8     A     This is Schedule I from the bankruptcy filing, and one  
9     of the things we noticed in our review of the loan file was  
10    that both the husband and wife have different employers.  
11    They're still in the same line of employment, but they're  
12    different employers than what they had listed on their  
13    application, so continued to move around. We don't  
14    necessarily know the ramifications of that on their income.  
15    He was, again, still working for a real estate company, so  
16    we're going to infer that he was still a realtor in Arizona  
17    which was definitely a difficult job in 2007, 2008, 2009.

18    Q     Okay. And how is that relevant to the plan  
19    administrator's analysis on this misrepresentation of income  
20    claim for this loan?

21    A     Well, because this wasn't necessarily a salaried  
22    employer as Aronoff said in his original exhibit -- or  
23    excuse me, a salaried borrower -- he was a realtor. His  
24    income would've been variable. We know that he had a track  
25    record, at least in early 2006 making a significant amount

1 of income. What he was thinking he was planning on making  
2 as a realtor when he filled out this application versus what  
3 he ultimately made, we don't know.

4 Q What was the plan administrator's finding with respect  
5 to this income claim?

6 A So we rejected this misrepresentation of income claim,  
7 because we didn't feel there was sufficient reliable  
8 information to assess what this particular borrower truly  
9 made at the time of origination.

10 Q Okay. Now, I'd like to look at the loan that Mr.  
11 Aronoff compares this loan to, and starting with Plan  
12 Administrator Exhibit 693, this is claims tracking  
13 spreadsheet (indiscernible). Mr. Trumpp, let's go to the  
14 second page of this document and can you please tell the  
15 Court what the Trustees are alleging with respect to this  
16 borrower?

17 A So, for comparative purposes, we just talk about the  
18 fail, we just talk about the past and it's again a  
19 misrepresentation of income claim, and it's for a borrow --  
20 a single borrower this time, so it's not as complicated with  
21 multiple borrowers, but the borrower's stated income as an  
22 administrator employed by a real estate company -- again, a  
23 real estate company in Arizona -- for a period of two years  
24 earning 7,250 per month on the loan application for a loan  
25 that closed in February of '07. And again, we're looking at

1 bankruptcy documents to assess whether the information sheet  
2 provided in the application was true and correct.

3 Q Okay. And did the Trustee cite any other evidence  
4 besides the bankruptcy documents to support this  
5 misrepresentation of income claim?

6 A No, they did not.

7 Q Okay. Let's take a look at the bankruptcy documents  
8 for this loan. Can we go to Plan Administrator 668? And  
9 bankruptcy documents start at Page 2. Do you recognize this  
10 document?

11 A I do.

12 Q Now, before we discuss the document, can you scroll  
13 down to the bottom of the page where it looks like -- let's  
14 see. It says page -- keep going down, I'm sorry. It says,  
15 "Page 22 of 43." Do you see that?

16 A I do.

17 Q And if you flip through, it goes all the way to Page 29  
18 and ends there. Is this the full document that the Trustees  
19 are relying on in terms of the bankruptcy document cited?

20 A So, it's the full document that was provided to us, but  
21 it doesn't appear to be the entire bankruptcy filing.

22 Q Okay. Is that relevant at all to the plan  
23 administrator's analysis when you have a portion of a filing  
24 and not all of it?

25 A Well, we prefer to have the entire amount of the

1 document to assess it and see if there would be additional  
2 information. In this particular case, you know, we  
3 continued on with what we had.

4 Q Okay. Can you just speak up a little bit and move a  
5 little closer to the mic? And just to orient ourselves, Mr.  
6 Trump, do you know when this loan originated?

7 A February of '07.

8 Q Okay. February 2007. And this bankruptcy filing, do  
9 you know when it was created?

10 A Based on the information at the bottom of the page, it  
11 appears it was created in 2008.

12 Q Okay. Full year after. And what information do you  
13 see at the bottom of this page that's relevant to the plan  
14 administrator's analysis, if at all?

15 A So --

16 Q Can we go back to the income information, please?

17 A It says, "407." There's income for the borrower who's  
18 the wife and it says her income was \$32,067. And there's  
19 also income listed for the husband who's not a borrower on  
20 this loan application, and it says \$15,000 -- \$15,930.

21 Q Okay. And is there other income listed for the  
22 borrower on this document?

23 A For other years, yes.

24 Q Where is that?

25 A It lists there 26, information below and their 2008

1 information as well.

2 Q Okay. And is the income stated for this particular  
3 borrow on this document consistent with what the Trustees  
4 were alleging in their claim statement?

5 A It is.

6 Q Okay. Is this the only piece of evidence in the file  
7 that the plan administrator looked at for this particular  
8 claim?

9 A It is. No, I'm sorry.

10 Q That was not fair. It's not a memory test. I will go  
11 to another document. Let's take a look at Plan  
12 Administrator Exhibit 670. What is this document?

13 A It's a copy of their tax return from -- to the State of  
14 Arizona from 2007.

15 Q Okay. And what does it say about the income associated  
16 with this particular borrower?

17 A They're joint filings. Adjusted gross income was  
18 \$45,701.

19 Q And is that information about the borrower's income  
20 consistent with what the Trustees were alleging was the  
21 actual income for this borrower?

22 A It is.

23 Q Okay. Let's take a look at Plan Administrator Exhibit  
24 671. What is this document?

25 A It's a copy of a W-2 for the borrower from 2007.

1 Q Okay. And you see income information where it says,  
2 "Gross pay, 8,476"?

3 A Yes.

4 Q And then if we go to the next page, do you see the  
5 income there?

6 A I do. So, this particular borrower had multiple jobs  
7 and so she had multiple W-2's and the second W-2 she earned  
8 \$20,344.

9 Q So approximately for the year, what did this borrower  
10 appear to have earned?

11 A Go back to the other one?

12 Q Can we go back to the first page?

13 A So here she made -- call it \$8,500 and then the next  
14 one she made about \$2,100, so a little over 30,000.

15 Q 28,000, you said?

16 A Well, it was 21,000 on the last one, roughly, and  
17 here's 8,500, so call it 30.

18 Q Okay, about 30,000. And is that generally consistent  
19 with what the Trustees were alleging this borrower made --

20 A It is.

21 Q -- during the year of origination?

22 A It is.

23 Q And what was the year of origination, again?

24 A 2007.

25 Q And this document is from --

1 A 2007.

2 Q 2007. Okay. Let's take a look at Exhibit Number 669.  
3 So, earlier we saw an Arizona state tax return. What is  
4 this document?

5 A This is their federal return from 2007.

6 Q And when you say, "their," who are you referring to?

7 A The borrower and her husband.

8 Q Okay. And what's the income associated with this  
9 couple?

10 A The adjusted gross income --

11 Q Can we scroll down a little bit more? Thanks.

12 A -- was \$48,000.

13 Q Okay. And is that consistent with the Trustee's  
14 allegation that this borrower made less than what she stated  
15 in her loan application?

16 A Yeah, so here we have seen multiple sources of evidence  
17 that all point to the -- kind of the same amount of income  
18 for the couple and the amount of income for the borrower all  
19 being less than what she stated on her application.

20 Q Okay. And these documents that we just walked through,  
21 other than the bankruptcy document, where did the plan  
22 administrator find it?

23 A It was all on the loan filing.

24 Q Is it something that the Trustee cited to in their  
25 claim statement?

1 A It is not.

2 Q Is it something they included in their claim package?

3 A It was not.

4 Q And what was the plan administrator's ultimate  
5 determination on this particular misrepresentation of income  
6 claim for this loan?

7 A So, we passed this loan.

8 Q And did you base that on the bankruptcy documents alone  
9 that the Trustee cited in their claim statement?

10 A No.

11 Q What did you base it on?

12 A We based it on the bankruptcy documents combined with  
13 all of the other additional information we found in the loan  
14 file that they didn't cite to that corroborated the evidence  
15 in the bankruptcy statements, the tax returns, W-2's. They  
16 all, combined, said the same thing.

17 Q Okay. Let's go back to Mr. Aronoff's exhibit, the  
18 excerpt that you've been discussing, Mr. Trumpp. Are these  
19 two loans the same, in your view?

20 A No, they're very different.

21 Q Do you believe that it's appropriate to extrapolate  
22 from the plan administrator's pass, which we just saw, to  
23 other fails in the protocol population?

24 A No. The facts and circumstances matter in each and  
25 every situation, and so extrapolation of one borrower's

1 issues onto another isn't appropriate.

2 Q Okay. By the way, there's one more document in the  
3 file for the pass loan. Let's take a look at that, 672.  
4 What is this document?

5 A So this is a hardship letter that we found in the loan  
6 file which states kind of her position on why she was unable  
7 to continue making payments. And basically her husband lost  
8 his job and ultimately -- I can't remember if it was this  
9 one or elsewhere, but it appeared they were going through a  
10 divorce and separating and that income was going away. So,  
11 not only was the combined income less than what they  
12 originally stated, the fact the husband's income was going  
13 away also contributed to her inability to make the payments  
14 on the loan.

15 Q And how is that relevant to determining whether this  
16 particular borrower misrepresented her income on the loan  
17 application?

18 A This just further proof and evidence that this  
19 particular borrower was not able to support the payments  
20 necessary and -- 'cause she didn't have the income by  
21 herself as she originally stated on the loan application.

22 Q So, is this hardship letter relevant to the plan  
23 administrator's determination that this loan should be a  
24 pass?

25 A Yes.

1 Q And, by the way, was this hardship letter cited to by  
2 the Trustees in either their statement or their claim  
3 package?

4 A No, it was not.

5 Q When did Step 2 of the protocol end?

6 A So, under the Protocol Order, Step 2 was supposed to  
7 end in March of 2016. Ultimately it got extended a couple  
8 more months and ended in May of 2016.

9 Q Okay. And was that the beginning of Step 3 of the  
10 protocol?

11 A It was.

12 Q Okay. Did the Trustees narrow the universe of claims  
13 going into Step 3 at all?

14 A A little. So we -- as we've talked about today -- gave  
15 them back our formal responses and we gave them our bates  
16 citations and I kind of assumed a significant number of the  
17 claims would be withdrawn after that review in Step 2. But  
18 they only withdrew at the end of Step 2 about 1,100 loans or  
19 so, so the vast majority of the loans were still at issue  
20 and we ultimately were going to have a very significant  
21 number of loans to go through in Step 3. And so, you know,  
22 when we started Step 3, we had an uphill climb from a volume  
23 perspective.

24 Q Okay. Now, without disclosing the detail of the  
25 negotiations that occurred in Step 3, can you just describe

1 generally for the Court what Step 3 looked like, what it  
2 entailed?

3 A Yeah, so generally speaking, it started off just to  
4 kind of see how it would go, it was myself and a  
5 representative from Duff and Phelps getting on the phone and  
6 literally hashing out each loan and talking about our  
7 positions and the evidence that we were citing and their  
8 positions, and making a determination, should I pass the  
9 loan or should they withdraw the loan. And then ultimately  
10 after we did that a few times to kind of get our feet wet,  
11 we expanded the process to other members of Duff and Phelps'  
12 team and other members of my team, and they each had set  
13 loans that that they would review each week and get on the  
14 phone with their counterpart at Duff and Phelps and they  
15 would literally hash it out at the loan level and decide,  
16 "Hey, here's what we're seeing, here's why we think this  
17 claim is bad." And they would say, "Here's why we think  
18 this claim is good and the loan is bad." So, we literally  
19 did that for months from right away starting in May/June of  
20 2016 through late 2016. We got on the phone and had  
21 conversations. And we ultimately got through about 3,000  
22 loans at that rate. And after going through about 3,000  
23 loans, the Trustees reviewed and withdrew about 350 loans  
24 and we ultimately passed an additional 66, I think was the  
25 right number. So, the vast majority of loans as we were

1 going though Step 3 were ultimately getting pushed on to  
2 Step 4 because we were unable to come to a decision in Step  
3 3. And in Step 3, while we couldn't agree one way or the  
4 other on a lot of the loans, we became intimately familiar  
5 with the positions and arguments that the Trustees were  
6 making and they became intimately familiar with the  
7 arguments and positions that I would take on similar loans  
8 and how we treated evidence, how we treated AMA, et cetera.  
9 And it ultimately got to the point where I kind of knew when  
10 I was reviewing my loans without getting on the phone with  
11 the Trustees what exactly their arguments were going to be,  
12 and so we went through the process and we had negotiations.  
13 But ultimately at the end of the day, many of the loans were  
14 getting pushed to Step 4.

15 Q I think you might've answered this, but just to be  
16 clear, did the parties through the Step 3 process gain an  
17 understanding of each other's positions with respect to the  
18 various claims submitted under the protocol?

19 A Absolutely. I think both sides would agree that they  
20 knew what was going to come out of our mouths after  
21 reviewing the loans. So, keep in mind we would prepare for  
22 these calls by going through the loans ourselves and  
23 spending half hour, hour or more going through the loan  
24 files, learning what Recovco said, learning what RBF said,  
25 making sure that we were prepared to have a conversation

1 with the other side. And as we were going through that  
2 process, we kind of knew after a while, here's what the  
3 Trustees are going to argue (indiscernible). So it was an  
4 opportunity for both sides to kind of feel each other out  
5 and understand what their arguments were. But the clear  
6 indication was at the end of the day, I understand your  
7 opinions, they understand my opinions, and there was a gulf.

8 Q Okay. And approximately when did Step 3 end?

9 A I don't recall the exact date, but I would say it was  
10 September, late 2016.

11 Q And the Trustees having an understanding of what the  
12 plan administrator's positions were generally on the various  
13 claims, did they withdraw any more loans during that time or  
14 after Step 3 ended?

15 A So, when Step 3 ended and we knew that we were going to  
16 go to an estimation process to try and resolve the claim  
17 instead of going through Steps 3, 4, and 5, one of the key  
18 things that my analytical mind said is we got to make sure  
19 that we're both on the same page in terms of which loans and  
20 which claims are going on to the estimation proceeding. So  
21 I made sure that was a reconciliation process between us and  
22 Duff and Phelps so both sides clearly understood at the end  
23 of Step 3 and the beginning of the estimation process what  
24 the starting point was. And at the end of the day, both  
25 sides tied out and agreed that here's the population of

1 loans and claims that are going to be put forth into the  
2 estimation proceeding.

3 Q And what was that population that you understood would  
4 be at issue in the estimation proceeding?

5 A It ties to the information that was in Mr. Cornell's  
6 expert report, Dr. Cornell's expert report, but basically  
7 that 91,000 loan count population is what we anticipated as  
8 outstanding and being a part of this process.

9 Q And do you know how many loans are actually at issue in  
10 this estimation proceeding?

11 A So that number has changed, and it's now approximately  
12 70,000 loans that are at issue today.

13 Q And when did you first find out that it wasn't the  
14 90,000 or so you thought were going to be at issue but  
15 instead it was 70,000 number?

16 A So throughout the entire process, loans pay off every  
17 month, right? So there are active loans in this population  
18 where the borrower pays their loan off naturally, meaning  
19 there is no loss. So I knew that the numbers would decrease  
20 every month. Similarly, there have been loans that have --  
21 or excuse me, trusts -- that have collapsed over the course  
22 of time so I also knew that certain segments of the  
23 population were being removed from the estimation process as  
24 these trusts collapsed. But what I didn't anticipate was a  
25 mass withdrawal of claims by the Trustees and I didn't see

1 that until their initial expert reports that were filed in  
2 June of this year, and it was one of the first things that  
3 jumped out at me after going through that reconciliation  
4 process and knowing that loans were going to continue to be  
5 withdrawn via natural payoffs or trust collapses. When I  
6 read that initial report and saw the counts and I couldn't  
7 tie out to the counts, I had no idea what happened and I  
8 couldn't reconcile why they were saying the population of  
9 what was outstanding for the estimation motion was so  
10 drastically different than what I thought it should be.

11 Q And when did you first find out that that difference  
12 was because the Trustees had withdrawn a massive amount of  
13 loans?

14 A So, after communication between the parties, it was a  
15 few more weeks until I got confirmation that the Trustees  
16 had removed several thousand loans. And then that was later  
17 even confirmed that it wasn't just 15,000 or so loans that  
18 were removed from the process. There was a significant  
19 number of claims that were also removed from existing loans  
20 in the process.

21 Q Now, Mr. Trumpp, before I move on, I just want to go  
22 back to something the Court asked earlier. She asked you  
23 whether there were any bright lines, and you explained that  
24 there weren't. Is there anything that we saw in the loans  
25 that we walked through today that helps illustrate why the

1 plan administrator doesn't draw bright lines with respect to  
2 evidence types?

3 A Because sometimes a particular piece of evidence could  
4 have weight and merit and sometimes it couldn't. It just  
5 depended upon the facts and circumstances of that particular  
6 loan in question. And so because of the unique nature of  
7 each loan, you really can't make bright line assessments and  
8 say this particular piece of evidence is always good or that  
9 particular piece of evidence is always bad. You had to  
10 weigh them in relation to the other evidence in the loan  
11 file. And so, you know, these were just a couple examples  
12 today, but this was the type of in depth review that we did  
13 when we weighed our evidence and made an analysis.

14 Q Okay. I'd like to show you a slide about evidence  
15 types. When we take a look at the slide that's excerpts  
16 from Mr. Aronoff's Exhibits 4 through 7, Mr. Trumpp, can you  
17 describe what's on the screen?

18 A So this is a summary and an excerpt of information from  
19 Mr. Aronoff's Exhibits 4 through 7. And in those exhibits,  
20 he lists the evidence sources for the claims and we went  
21 through and looked at how many times for each of these  
22 particular types of claims they referred to one type of  
23 claim. So for example, for misrepresentation of income  
24 claims, if they referred to accurate and only accurate as a  
25 type of claim for -- as a source for that particular

1 misrepresentation of income claim, they did that 35 times.  
2 There are other examples on Mr. Aronoff's reports where he  
3 cites claims with multiple sources of information. That's  
4 excluded from this analysis. This is a summary of just the  
5 instances where he cites a claim with one evidence type.  
6 And so those are the types and the counts that are there for  
7 income claims and then the other three types of  
8 misrepresentation of borrower information claims. And so it  
9 really gets to the heart of evidence and corroboration. So  
10 we look for, in our weighing of evidence, are there multiple  
11 pieces of information of different sources that point me to  
12 the same things. Because, again, I got to counter the  
13 information that was given at origination and taken down by  
14 the loan officer who, for the most part, was the only person  
15 who talked to the borrower in this situation. And so we're  
16 going this weighing of evidence and these are examples of  
17 claims where there was only one piece of -- one evidence  
18 type, excuse me, used to support their claim.

19 Q So let's focus in on the line that says, "Bankruptcy  
20 documents in support of a misrepresentation of income  
21 claim." Based on this chart, it looks like the Trustee  
22 cited to bankruptcy documents, right, as the only evidence  
23 type to support an income claim 5,948 times. Can the plan  
24 administrator tell just by knowing that there's a bankruptcy  
25 document in support of an income claim whether or not it's a

1 valid income claim?

2 A No.

3 Q Why not?

4 A Because you got to look at the information within that  
5 bankruptcy document and how it fits into the overall picture  
6 of the claim and the information in the loan file, make an  
7 assessment. We can't just definitively say the bankruptcy  
8 documents trump the loan application 100 percent of the  
9 time.

10 Q Okay. Now, Mr. Trumpp, did you do some math to figure  
11 out the percentage of times that only one piece of evidence  
12 or one evidence type is cited by the Trustees?

13 A I did. So the total number of misrepresentation of  
14 income claims at the top is 34,418 again from Aronoff's  
15 exhibits, and we went through and counted it up and in this  
16 instance for misrepresentation of income there was one  
17 evidence type cited 28,636 times, and that's 83 percent of  
18 the time.

19 Q Okay. Let's take a look at the next chart over,  
20 misrepresentation of debts claims.

21 A So similarly, 23,362 total claims, 11,981 instances of  
22 a single evidence type, so a little more than half.

23 Q Okay. What about for misrepresentation --

24 THE COURT: Could I ask you a question about the  
25 debts one? How could a pay stub be evidence of a debt?

1 MR. TRUMPP: You know, that's an excellent  
2 question, Your Honor, and quite frankly we'd have to go to  
3 the loan file and see --

4 THE COURT: Okay.

5 MR. TRUMPP: -- what they asserted.

6 THE COURT: Thank you. What was the percentage on  
7 that -- on the debts one?

8 MR. TRUMPP: 51 percent.

9 MS. DOMINGUEZ-BRASSWELL: 51 percent.

10 THE COURT: Indeed, it is. Thank you.

11 Q Okay. What about misrepresentation of employment  
12 claims?

13 A So 5,828 total claims, one evidence type cited, 3,847  
14 times, so, you know, well over half and 66 percent.

15 Q Okay. And misrepresentation of occupancy claims?

16 A 6,918 total occupancy claims made, 3,977 instances  
17 where they were referring to one evidence type.

18 Q Now, Mr. Trumpp, you've mentioned just a couple minutes  
19 ago that in the instances where you have one evidence type,  
20 you're having to balance that against the information in the  
21 loan application. What do you mean by that?

22 A Meaning the borrower said something at origination and  
23 told the loan officer in their dialogue when they were  
24 creating the loan application, they said one thing. And now  
25 the Trustees are saying another thing based upon some sort

1 of evidence type. And by definition, there's some tension  
2 there and some conflict and so we have to assess which is  
3 more accurate, what's the right answer, which is difficult  
4 to do 10 years later. And so we had to weigh the evidence.  
5 We had to look at the entire loan file and see if there are  
6 other things that we can glean to use as corroboration to  
7 say, "Yeah, more likely than not we agree that this is a  
8 breach of representation of warranty that adversely and  
9 materially affects the value of the loan, and we'll call it  
10 a pass." So there was a lot of analysis and judgment and  
11 weighing of evidence that went to reviewing these claims.

12 Q And can that weighing of evidence occur without looking  
13 at the loan file and the claim package and all the  
14 supporting documentation?

15 A I don't see how it could.

16 Q Okay. Mr. Trumpp, I'd like to show you Exhibit Number  
17 369. What is this document? We can zoom out of it so we  
18 can see it, please.

19 A So this is a letter that was sent in August of this  
20 year to Trustee's litigation counsel where we were putting  
21 them on notice and telling them that we had approved some  
22 additional loans. As contemplated in the protocol in Steps  
23 3, 4, and 5 throughout that process there would be  
24 additional loans passed as additional information was  
25 uncovered or as we continued to review the loan files. And

1 so as we were continuing to go through the loan files, we  
2 made the determination that there were additional loans that  
3 should be passed, and in July and in August of this year we  
4 sent two separate batches of approved claims and loans via  
5 the same normal reporting mechanisms to the Trustees and put  
6 them on notice that we were passing additional loans.

7 Q Okay. And approximately how many loans did you pass in  
8 this fashion?

9 A It was like 300 or so additional loans.

10 Q Okay. And you said you sent one in July and one in  
11 August. We're looking at the one in August. Take a look at  
12 Plan Administrator Exhibit 376. Is that the July letter you  
13 just referenced?

14 A It is.

15 Q Okay. Now, Mr. Trumpp, do you remember Mr. Cosenza  
16 discussing collapsed trusts during his opening statement?

17 A I do.

18 Q I'd like to show you a slide from the opening  
19 statement. Can we see slide 36, please? Can you describe  
20 this slide?

21 MR. SHUSTER: Objection, Your Honor. There's no  
22 foundation laid that Mr. Trumpp has any direct personal  
23 knowledge about these matters.

24 THE COURT: All right, fair enough.

25 MS. DOMINGUEZ-BRASSWELL: I was just going back to

1 that. I apologize.

2 Q Mr. Trumpp, did you have any involvement with respect  
3 to any of these underlying deals and the collapsing of these  
4 trusts?

5 A I did.

6 Q How? What involvement did you have?

7 A So some of the trusts in this estimation motion and  
8 some of the trusts that have collapsed, there was a  
9 requirement in those trusts for the party who holds the  
10 rights to collapse the trust to obtain the issuer or  
11 seller's consent. And so I was involved in the process by  
12 which the master servicer came to Lehman and sought our  
13 consent, and ultimately that consent was negotiated and  
14 given.

15 Q Okay. And do you have knowledge as to whether or not  
16 the figures listed on this chart are true and accurate?

17 A I do. I helped gather this information for the  
18 original table and the left-hand column is the summary of --

19 MR. SHUSTER: Objection. The fact that the  
20 witness gathered the information for the table was not  
21 established that he had any -- that he has any direct  
22 knowledge. I think I know where this line of questioning is  
23 --

24 THE COURT: Okay, hold on. Come on up.

25 MR. SCHUSTER: So --

1 THE COURT: Come on up.

2 Q Mr. Trump, can you continue describing your involvement  
3 and your understanding about the accuracy of these figures?

4 A Yes. So that first column is simply the amount of  
5 asserted claims based upon the protocol. So in Step 2,  
6 what's the dollar amount of claims per trust that the  
7 Trustees made? So for example, in SARM 2004-5, the Trustee  
8 asserted \$13.58 million worth of claims in that trust. The  
9 second column is the value of the claim as derived by the  
10 appraiser of the claims used in the class of these  
11 particular trusts as referred to us by Nationstar. So they  
12 shared with us the amount that that was valued at. The last  
13 column is simply the math using the 2.41 amount of the  
14 estimation motion and applying the percentages in their own  
15 table for how they would anticipate allocating that total  
16 dollar amount across these trusts. And so doing the math,  
17 we're able to tell that that appraiser came to the same  
18 conclusion that we were seeking, that in that particular  
19 instance SARM '04, '05 that should be worth a claim amount  
20 of \$1.492 million.

21 Q And do you know who hired the appraiser?

22 A It's my understanding based upon the agreements that it  
23 was ultimately agreed to by the Trustee and the master  
24 servicer. In terms of hiring them and paying them, I don't  
25 know the answer to that.

1 Q And do you know if it was the same appraiser for all of  
2 these deals and all of these figures?

3 A It was.

4 Q Okay. What significance does this have for you, Mr.  
5 Trumpp, as it relates to this proceeding?

6 A The significance is an independent third party  
7 assessed, prior to this estimation hearing, the particular  
8 claims and merits and where they thought this was going, and  
9 they were of the opinion that the 2.4 estimation amount was  
10 fair.

11 MS. DOMINGUEZ-BRASSWELL: Can you just give me one  
12 minute?

13 THE COURT: Sure. If this is a breaking -- a  
14 stopping point or breaking point, you can take a few  
15 minutes.

16 MS. DOMINGUEZ-BRASSWELL: Okay. Thank you.

17 THE COURT: Are we -- by that, I meant I was going  
18 to sit here, but if you just want this to be, you know, a  
19 legitimate break, I'm happy to do that as well.

20 MS. DOMINGUEZ-BRASSWELL: Just a five minute break  
21 would be great.

22 THE COURT: Okay. So we'll take a five minute  
23 break and we'll come back. Thank you.

24 OFF THE RECORD.

25 THE COURT: Have a seat. All right. Mr. Trumpp,

1 home stretch for today.

2 MR. TRUMPP: All right.

3 MS. DOMINGUEZ-BRASSWELL: It is the home stretch.

4 I only have a few more questions, and really just to clarify  
5 the last slide. Can we put up the last slide that we were  
6 on just a moment ago?

7 Q Mr. Trumpp, you started to describe your involvement in  
8 the underlying information or the information that led to  
9 these figures on this chart. Can you just describe that for  
10 the Court to make sure we're clear about what your  
11 involvement was?

12 A Yeah, so the first column is simply the aggregation of  
13 the claim amount asserted by the Trustees by trust in the  
14 protocol. The middle column is the value --

15 Q Well, can I just pause on the first column for the  
16 moment. It's the asserted amount -- did you calculate what  
17 it would be for that particular trust? Did you perform that  
18 calculation?

19 A I did.

20 Q Okay. Can you go on to the second column?

21 A So we went -- when the Trustees asserted their claims,  
22 they did it for loans in particular trusts and that's all  
23 the data that we had as part of their claims tracking  
24 spreadsheet. And so we simple aggregated by trust the total  
25 amount of claims submitted by the Trustees during the

1 protocol for those trusts.

2 Q Okay. Now, can you describe the second column and the  
3 calculations and how you were involved in those  
4 calculations?

5 A So as I mentioned earlier, the Trustees ultimate --  
6 sorry, the Trustees -- the master servicer, Nationstar, came  
7 to us seeking consent to collapse certain trusts. We  
8 negotiated with them on providing that consent and one of  
9 the things that, you know, was a question in our mind is,  
10 well, if you collapse this trust what happens to the claim,  
11 right? So we're actively reviewing loans for these  
12 particular trusts in our protocol process and we're going to  
13 have this estimation.

14 What happens to the claims? It was from a  
15 Nationstar that I came to understand that Nationstar would  
16 essentially be buying the claims and that there was a third  
17 party who was appraising and assessing the value of those  
18 claims because they were an asset of the trust. And so it  
19 was through those negotiations that I wanted to know what  
20 that looked like and how it worked operationally and  
21 ultimately when these trusts collapsed, that's what  
22 happened.

23 Nationstar, as master servicer, paid a value to  
24 the investors in those particular trusts for the right to  
25 acquire that claim and that value was derived by a third

1 party. And that value that had occurred not just on these  
2 trusts here, but it occurred on multiple trusts throughout  
3 the protocol and throughout Lehman's bankruptcy, we've come  
4 to find out, and there are now multiple claims that were  
5 originally filed by the Trustees in the hands of Nationstar  
6 today.

7 So, now we're going through the process of  
8 negotiating with Nationstar, no longer the Trustees, in  
9 order to resolve those claims. And so there are a handful  
10 of claims that we've been able to come to resolution with  
11 Nationstar and we've approved those claims. But they are  
12 all done via an outside appraiser assessing the value of  
13 that claim, so the master servicer can pay for it and  
14 acquire it from the trust.

15 Q Okay. So the figures in the middle column were  
16 provided to you?

17 A Yes.

18 Q Okay. Now, the figures in the far right-hand column?

19 A The far right-hand column is from the estimation  
20 motion, and it looks at the potential value of the  
21 estimation motion at \$2.4 billion prorated based upon a  
22 schedule that the Trustees came up with on how they intended  
23 to allocate that 3.4 billion across all of the trusts.

24 Q And did you perform those calculations?

25 A I did.

1 Q And can you verify the accuracy of the calculations  
2 that you just described with respect to SARM 2004-05?

3 A Yeah, so with respect to SARM 2004-5, in the protocol  
4 based upon our records we showed that there \$13.585 million  
5 worth of claims submitted, and based upon the information we  
6 gathered from Nationstar, the value that the claim was  
7 valued at via the third party appraiser was \$1.492 million.  
8 And then we did the math assuming that this estimation did,  
9 in fact, occur at \$2.4 billion as originally stated in the  
10 estimation motion, applied that \$2.4 billion dollars to the  
11 percentage in the schedule that the Trustees showed for  
12 allocation and did the math, and it came up with the same  
13 numbers.

14 Q Okay. And just for the record, I want to walk through  
15 these deals and just confirm, as you just did for SARM 2004-  
16 5, the accuracy of the calculation that you and your team  
17 performed. Can we do the same thing for SASCO 2003-17A?

18 A Yes. So claims submitted in the protocol, \$1.257  
19 million; value of the claim as derived by the third party  
20 appraiser, \$558,000; and value as allocated under the  
21 settlement agreement, \$558,000.

22 Q SASCO 2004-15?

23 A \$3.364 million in claims asserted under the protocol.  
24 That particular claim was valued at \$97,000 by the parties,  
25 and ultimately the math would've been \$316,911.

1 Q When you say the, "the math," is this math you did?

2 A Yes.

3 Q SASCO 2004-2AC?

4 A \$7.851 million in claims submitted. Value of the claim  
5 at \$1.020 million, and the math done here \$1.020591 million.

6 Q Okay. LABS 2004-1?

7 A \$2.694 million in claims; 397,000 in value; and 397,964  
8 based upon the math.

9 Q Okay. One more. Now we're really at the home stretch.  
10 SASCO 2003-28XS?

11 A SASCO 2003-28XS, \$1.181 million in claims submitted,  
12 \$113,455 value, and \$113,455 based upon the math.

13 Q Math that you performed?

14 A Yes.

15 MS. DOMINGUEZ-BRASSWELL: Okay. No further  
16 question.

17 THE COURT: All right. Very good. Mr. Trumpp,  
18 thank you very much. You're excused for the day, unless,  
19 Mr. Shuster, you had wanted to start?

20 MR. SHUSTER: No, I'm all for breaking for the  
21 day.

22 THE COURT: Thank you. You can step down, Mr.  
23 Trumpp. Ms. Brasswell and Mr. Shuster, could I speak to you  
24 for a moment please? You remain under oath overnight. Same  
25 rules apply, all right?

1 (Whereupon these proceedings were concluded at 5:06 PM)  
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C E R T I F I C A T I O N

I, Sonya Ledanski Hyde, certified that the foregoing  
transcript is a true and accurate record of the proceedings.

Sonya

Ledanski Hyde

Digitally signed by Sonya Ledanski  
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Date: November 29, 2017